



Billionaire Warren Buffett's Top 3 Dividend Stocks

Description

When searching for new income ideas, it never hurts to peek over the shoulders of the world's greatest investors. And it doesn't get any better than Warren Buffett.

Although **Berkshire Hathaway Inc.** shareholders don't receive a cash payout, Buffett's portfolio is chalked full of companies that spin off steady, growing dividends.

And given his track record, there's no better place to look for new investment ideas. Here are Buffett's top three dividend stocks.

1. The Coca-Cola Company

Not every hockey player is as good as Sidney Crosby, and not every stock is as good as **The Coca-Cola Company** ([NYSE: KO](#)).

Coca Cola belongs to a special group of dividend stocks that Standard & Poor's calls 'Dividend Aristocrats'. And you don't get into this elite club by just paying a dividend. No, these industry champions have increased their payouts for at least 25 consecutive years. In fact, Coca Cola has managed to pass on 51 straight dividend hikes to shareholders.

Impressed? You should be. Because when a company has a 50-plus year streak of paying *and* raising its dividend, you better believe investors are counting some impressive compounded returns.

2. Suncor Energy Inc.

Suncor Energy Inc.'s ([TSX: SU](#))([NYSE: SU](#)) new Chief Executive Steve Williams has one focus: to return as much cash to shareholders as possible.

After taking over at the oil giant back in 2011, Mr. Williams has doubled the size of the company's dividend and bought back over 10% of its outstanding shares. And just last quarter, he hiked Suncor's dividend another 15% and announced plans to buy back an additional \$1 billion in stock.

How has Mr. Williams been able to pull this off? He isn't interested in growth just for the sake of growth. Rather, every dollar reinvested back into the business must meet a high return threshold or be returned to shareholders. This is the sort of discipline that has attracted Buffett's attention.

3. International Business Machines Corp.

What could Buffett possibly see in a technology company like **International Business Machines** ([NYSE: IBM](#))? It is among the best capital allocators in the business.

Throughout its history, IBM has chosen to return enormous amounts of capital back to shareholders rather than squander it on overpriced acquisitions. Over the past two decades, the company has repurchased over half of its outstanding shares and has increased its dividend 17-fold.

And IBM is likely to maintain that impressive financial performance for decades to come. Intangible assets like reputation, track record, and client relationships give the firm a huge competitive advantage in the consulting business. Switching costs and scale should also allow IBM to maintain superior profit margins over the long haul.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. NYSE:IBM (International Business Machines Corporation)
4. NYSE:KO (The Coca-Cola Company)
5. NYSE:SU (Suncor Energy Inc.)
6. TSX:SU (Suncor Energy Inc.)

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