



3 Truly Buy-and-Forget Dividend Stocks for Every Investor

Description

Building a stock portfolio is much like building a house: It is important to establish a solid foundation. This can be done by identifying and investing in companies that you can buy now and put away forever while they steadily grow in value and pay a consistently growing dividend year after year, making them true “mattress stuffers.”

Key to identifying these stocks is to find companies with wide, multifaceted economic moats that despite technological innovation allow them to retain an almost indefinite competitive advantage.

Let's take a closer look at three stocks to buy and hold forever.

Suncor Energy Inc.

While **Suncor Energy Inc.**'s ([TSX: SU](#))([NYSE: SU](#)) dividend yield of 2.6% may not be eye-popping like **Crescent Point Energy Inc.**'s (TSX: CPG)(NYSE: CPG) 6.5% or **Penn West Petroleum Ltd.**'s (TSX: PWT)(NYSE: PWE) 7%, it has grown at a far greater rate.

Since inception in 1992, Suncor's dividend has grown at a compound annual growth rate of 13%, well in excess of Penn West's, whose dividend was slashed as part of its restructure, or Crescent Point's compound annual growth rate of 3%. More impressive is Suncor's conservative payout ratio of 43%, indicating the dividend is not only sustainable but that plenty of room exists for further dividend hikes, even after having been boosted by 22% at the end of the second quarter of 2014.

Suncor also has a significant advantage over the majority of its peers operating in the patch including Crescent Point and Penn West, and that is its wide, multifaceted economic moat as well as its geographically diversified asset base.

This allows it to access refining markets outside of North America and capture premium Brent pricing. All of this mitigates the impact of growing U.S. light sweet crude production causing WTI prices to soften and Canada's pipeline crunch, which over time will cause the price differential between Canadian crude blends and WTI to widen.

All of the reasons listed above — in addition to Suncor's being Canada's largest integrated energy company — make it a buy-and-hold forever stock that should form the cornerstone of any long-term growth portfolio.

Toronto-Dominion Bank

Canada's largest bank by assets **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) is a solid buy-and-hold income growth stock despite having appreciated by 19% over the last year.

The bank has taken the plunge into the U.S. market, which is the largest banking and financial services market of any developed economy. This gives the bank access to some astounding growth opportunities particularly with the U.S. economic recovery continuing to pick up steam.

Its U.S. banking operations already contribute around 25% of total net income and for the last quarter reported, net income jumped 4% quarter over quarter and 8% year over year. I expect to see this solid growth continue with the U.S. economy continuing to perform better than expected as it sees an uptick in demand for credit.

Toronto-Dominion currently pays a quarterly dividend with a tasty yield of 3.3%, in addition to a very conservative and sustainable payout ratio of 46%. There is also still room for more dividend hikes — it has raised its dividend three times over the last year. More impressively, since inception in 1969, its dividend has grown at an impressive rate, with a compound annual growth rate of 11% over that period.

Solid consistent dividend hikes coupled with significant growth opportunities make Toronto Dominion a solid candidate for any long-term buy and hold portfolio.

Manulife Financial Corp.

Canada's largest life insurer, **Manulife Financial Corp.** ([TSX: MFC](#))([NYSE: MFC](#)), rounds the final slot, with a dividend yield of 2.8% and an exceptionally conservative payout ratio of 29%. Life insurance is a notoriously lumpy business, which goes some way to explaining the company's conservative approach to business, particularly with provisioning for unexpected large claims being an important aspect of its operations.

But management must be feeling particularly optimistic about the future, hiking Manulife's dividend by 19% at the end of the second quarter for the first time since the GFC and, more startlingly, making its first acquisition in 10 years when it acquired Canada's fifth-largest insurance company, **Standard Life Canada**, for \$4 billion, significantly boosting its domestic presence while targeting lower-risk domestic growth.

When all of this is considered in conjunction with the company's multifaceted economic moat and the high barriers to entry for the life insurance industry, its competitive advantage and ability to keep growing are virtually guaranteed.

These companies offer investors significant growth opportunities via their competitive advantage and wide economic moats. As a result, they will continue to reward investors with steady dividends, making them truly buy-and-hold stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:MFC (Manulife Financial Corporation)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:TD (The Toronto-Dominion Bank)

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