



Warren Buffett's 3 Top Dividend Stocks

Description

No doubt about it, Warren Buffett is the best investor of all-time.

The Oracle of Omaha has built one of the biggest fortunes in history by buying wonderful companies and holding on for the long haul. No wonder he gets the rock-star treatment in business circles.

But while Buffett's holding company **Berkshire Hathaway** doesn't pay any dividends itself, that doesn't mean income investors can't find fresh stock ideas from his portfolio. Berkshire's holdings are loaded with names that spin off steady, growing distributions. So with this theme in mind, here are Warren Buffett's top three dividend stocks.

1. Wal-Mart Stores, Inc.

Few companies are as good as **Wal-Mart Store Inc** ([NYSE: WMT](#)). That's not just my personal opinion. The firm belongs to an elite group of stocks that Standard & Poor's calls the 'Dividend Aristocrats'.

But you don't get into this club by just paying a dividend. No, these industry champions have increased their payouts for at least 25 consecutive years. In fact, Wal-Mart has managed to hike its dividend every year since 1975.

Are you blown away? I am. Because when a company has a 40-plus-year streak of paying *and* raising its dividend, you better believe investors are counting some impressive returns. And given that Wal-Mart has a cost advantage that's almost impossible to replicate, investors will likely be collecting dividend cheques for many more years to come.

2. Visa Inc

When it comes to dividend yields, bigger isn't always better. Case in point: **Visa Inc** ([NYSE: V](#)).

The credit card giant has never yielded more than 1%. Yet, investors who gave the stock a pass based

on yield alone have missed out on phenomenal profits. Since going public in 2008, Visa has delivered a 350% return. Over that time, the company's dividend has grown nearly fourfold.

Unless people suddenly start paying for goods and services through barter, Visa will likely continue to crank out monster profits. More dividend increases are almost certainly on the way as the firm's sales continue to climb.

3. Exxon Mobil Corporation

Buffett's investment in **Exxon Mobil Corporation** ([NYSE: XOM](#)), and by extension its Canadian subsidiary **Imperial Oil Limited** ([TSX: IMO](#))([NYSEMKT: IMO](#)), is a bit puzzling.

Is the company growing quickly? Nope. Exxon's oil production is as flat as a pancake. Is it because the stock is "cheap"? Wrong again Bob. Exxon is actually more expensive than many of its peers.

Buffett's investment in Exxon comes down to capital allocation. In the oil industry, we have a handy metric to tell how well a company is managing our money: return on capital employed, or ROCE. The ratio measures how much cash is going into the business versus how much is coming out.

As you might expect, both Exxon and Imperial have the highest ROCE's in the industry. Management will only invest in the most profitable projects and will return any excess capital to shareholders. That means these two stocks are gushing dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:V (Visa)
2. NYSE:WMT (Wal-Mart Stores Inc.)
3. NYSE:XOM (Exxon Mobil Corporation)
4. NYSEMKT:IMO (Imperial Oil Limited)
5. TSX:IMO (Imperial Oil Limited)

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Date

2025/08/25

Date Created

2014/11/19

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