5 Diversified Dividend Stocks to Consider Buying and Holding Forever

Description

Like Warren Buffett, I believe a key secret to building long-term wealth is identifying companies with solid growth prospects and then holding their stock in perpetuity.

Let's take a take a closer look at five stocks that could serve as the backbone of any long-term, buy-and-hold stock portfolio.

Fortis Inc.

Electric utility **Fortis Inc.** (TSX: FTS) has paid a consistently growing dividend for the last 42 years, and now yields a tasty 3.4%.

More important, its wide economic moat created by the steep barriers of entry to the electric utilities industry, coupled with the inelastic demand for electricity, virtually guarantees long-term earnings growth. This bodes well for further dividend hikes, particularly after Fortis recently completed an acquisition in Arizona that gives it an additional 657,000 electricity and gas customers.

Enbridge Inc.

Canada's largest provider of crude transportation and midstream services to the patch, **Enbridge Inc.** (TSX: ENB) (NYSE: ENB) is a great buy-and-hold dividend stock candidate. It has regularly paid a dividend since 1953, and hiked its dividend for the last 19 consecutive years, now giving it a yield of 2.7%.

With Enbridge transporting over half of all Canadian crude exported to the U.S., coupled with the existing lack of pipeline capacity and growing Canadian crude production, demand for its services will grow strongly. This makes future earnings growth a strong bet, boding well for further dividend hikes.

BCE Inc.

Canada's largest telecommunication provider, **BCE Inc.** (TSX: BCE) (NYSE: BCE), is another buy-and-hold-forever favourite. It has consistently paid a dividend since 1949 and hiked that dividend for the last eight consecutive years, even during the darkest moments of the global financial crisis. This now gives it a juicy yield of 4.6%, coupled with a sustainable payout ratio of 83%.

More important, BCE has a wide economic moat created by its dominant market share and the significant barriers of entry to the telecommunications industry, protecting its competitive advantage. When coupled with the growing demand for wireless and high-speed voice and data services, its future earnings growth is also a strong bet.

Canadian Oil Sands Ltd.

The largest single investor in the Syncrude Project, **Canadian Oil Sands Ltd.** (TSX: COS), has seen its share price hammered because of plunging crude prices. But it now pays a dividend yielding 8%, the second-highest yield in the **S&P TSX 60 Index**.

While significantly softer crude prices and worsening industry fundamentals are creating concerns around dividend stability, I don't expect it to be cut, with the company remaining profitable at current crude prices.

You only have to look at its operating margin to see there is sufficient fat to absorb the current sustained fall in crude prices, with it reporting a third-quarter netback of $47.16 per barrel. This is one of the best in the energy patch and highlights that Canadian Oil Sands is a low-cost producer.

Furthermore, with capital expenditures set to fall, funds will be freed up for other uses, including maintaining dividend payments over the short term.

While its share price may not bounce back for some time, its monster dividend yield makes it a great long-term yield play for income-hungry investors.

Bank of Nova Scotia

Canada's third-largest bank by assets, the **Bank of Nova Scotia** (TSX: BNS) (NYSE: BNS) has paid a dividend since 1892, and after hiking its dividend for the last four consecutive years, it offers investors a juicy 3.8% yield, coupled with a sustainable 45% payout ratio.

It recently set alarm bells ringing for investors, announcing pre-tax charges of $451 million for its fiscal fourth quarter. But this only constitutes part of a larger process aimed at boosting efficiencies in its domestic and international businesses, which will bolster its bottom line.

Recent acquisitions in its consumer credit business, coupled with exposure to some of the fastest-growing economies in Latin America, will boost earnings growth over the long term. Its international presence also mitigates many of the risks associated with being solely dependent on Canada for growth, making it a superior choice to the other top five banks, in my view.

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TICKERS GLOBAL

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2. NYSE:BNS (The Bank of Nova Scotia)
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Date
2025/09/23
Date Created
2014/11/20
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