3 Dividend Stocks to Buy and Hold

Description

One night, my grandfather showed me something that completely changed how I thought about investing. From his desk drawer, he pulled out a dividend cheque bearing the name of a well-known company. As he explained, the annual distribution was worth more than half of what he paid for the stock.

My grandfather didn't have an MBA. He certainly didn't know the difference between EBIT and EBITDA. But by buying and holding a wonderful businesses, he was able to generate dividend yields exceeding 50%.

Of course, those type of returns didn't happen overnight, but his story goes to show that good investing doesn't require finding the next **Apple**. Rather, the best investing strategy may be to simply buy shares of businesses you patronize every day and that pay out reliable dividends…then hold on for the long haul.

So, with this theme in mind, here are three wonderful dividend stocks to buy and hold forever.

Collect monthly rental income without becoming a landlord

Canadian Apartment Properties REIT (TSX:CAR.UN), or CAP REIT, gives you all of the benefits of becoming a landlord minus the headaches.

CAP REIT owns hundreds of apartment buildings across the country and is a generally recession-proof niche within the real estate industry. After all, people always need to put a roof over their heads. No matter what the economy is doing, this trust can always expect to earn steady income.

This is how the firm has been able to pay out such consistent, oversized rent cheques. Since 2000, CAP REIT hasn't missed a single monthly payment to investors, a period that included two major recessions. Today, the trust pays an annual distribution of $1.19 per unit, which comes out to an annualized yield of 4.2%.

The best dividend stock you've never heard of

Pembina Pipeline Corp (TSX:PPL)(NYSE:PBA) is vital to your daily life, but I doubt you know the company even exists.

This stock is one of the market's best-kept secrets. Shares trade hands only a few hundred thousand times per day—a fraction of the more widely held names.

But if you own shares of this business, you own a piece of some of the most important infrastructure assets in the country. Pembina owns energy pipelines, terminals, and storage facilities throughout western Canada. Without the commodities this company ships through its network, our society would grind to a halt.

In return for moving these products, the company earns a fee, which it passes on to investors. Today, Pembina pays a monthly dividend of $0.14 per share, which comes out to an annualized yield of 4.3%. Though I expect that payout will grow significantly in the years ahead.

43 consecutive dividend hikes and counting

This company has done the impossible.

Since 1972, utility giant **Fortis Inc.** (TSX:FTS) has increased its distribution for 43 straight years, the longest streak of consecutive payout increases in Canada. Over this period, the company's dividend has grown more than 15-fold. If you had simply bought and held the stock during that time, the yield on your original investment would be over 40% today.

Think about everything that has happened since then: wars, inflation, recessions. Yet for Fortis, it hardly mattered. Through all of the ups and downs, this company remained committed to rewarding shareholders.

I'll admit, if you're looking for an exotic mining stock to impress your coworkers, then Fortis is definitely not for you. But if you like old-fashioned dividends, then you'll like this company just fine.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:FTS (Fortis Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

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