



Revealed: Warren Buffett's Top 5 Dividend-Stock Picks

Description

Warren Buffett gets the red-carpet treatment in business circles... and for good reason.

By buying wonderful companies and holding on for the long haul, the Oracle of Omaha has accumulated one of the biggest fortunes in history. That's why for us income investors, it never hurts to peek over the shoulders of the world's greatest businessman.

But while Buffett's holding company **Berkshire Hathaway Inc.** doesn't pay any dividends itself, the insurance giant's portfolio is loaded with names that spin off steady, growing distributions. So, with this theme in mind, here are Warren Buffett's top five dividend-stock picks.

Stock	Current Yield	Market Cap
Wal-Mart Stores, Inc.	2.6%	\$244.7 billion
The Coca-Cola Co	3.2%	\$179.6 billion
Visa Inc.	0.7%	\$170.4 billion
Suncor Energy Inc.	3.0%	\$53.4 billion
Restaurant Brands International Inc.	1.0%	\$10.0 billion

Source: Yahoo! Finance

Let's say a few words about these companies.

Few films are as good as 1986 classic *Top Gun*, and few companies are as good as **Wal-Mart Stores Inc.** ([NYSE:WMT](#)). And that's not just my personal opinion, either. Wal-Mart belongs to an elite group of stocks that Standard & Poor's calls the "Dividend Aristocrats."

To get into this group, these industry titans must have increased their payouts for at least 25 consecutive years. In fact, Wal-Mart has managed to hike its dividend every year since 1975. When a company has a four decade-long streak of paying *and* raising its dividend, you'd better believe shareholders are counting some impressive returns.

Abraham Maslow and the television host of *Survivorman*, Les Stroud, would agree — our needs don't get much more basic than food, drink, and hygiene. **The Coca-Cola Co** ([NYSE:KO](#)) is by far the simplest. It's laser-focused on providing the world with non-alcoholic drinks.

The company's core brand has already proven itself for more than 100 years. Furthermore, Buffett has commented that "a ham sandwich could run Coca-Cola." All this means the company is likely to be thriving (and paying dividends) 100 years from now.

Buffett also argues that businesses must be operated by honest and competent executives. Of course, evaluating management isn't easy. However, executives at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) have proven to be exceptional stewards of shareholder capital.

Since taking the helm in 2011, CEO Steve Williams has dialed back spending to fund dividends and share buybacks. Now, every dollar reinvested back into the business must earn a sufficient return or be paid out to investors. Such discipline proves Mr. Williams is putting shareholders first.

Finally, when it comes to dividend yields, bigger isn't always better. Two great examples are **Visa Inc.** ([NYSE:V](#)) and **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)). These stocks have never yielded much more than 1%. Yet investors who gave these firms a pass based on yield alone would have missed out on phenomenal profits.

Since these two companies have gone public, both have delivered eye-popping returns for shareholders. Over that time, we have seen them hike their dividends multifold. And unless people start paying for goods and services through barter, Visa and Restaurant Brands will likely be cranking out oversized profits for decades to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:KO (The Coca-Cola Company)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. NYSE:V (Visa)
5. NYSE:WMT (Wal-Mart Stores Inc.)
6. TSX:QSR (Restaurant Brands International Inc.)
7. TSX:SU (Suncor Energy Inc.)

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