



Does Your TFSA Have These 3 Forever Stocks?

Description

Many investors adhere to a very simple investing philosophy. They like to buy quality companies, hold those companies for a very long time, and let the rest take care of itself.

It's certainly a strategy that has worked in the past. Some of the best-performing stocks of the last 20, 30, or even 40 years have been consistently excellent. These companies have great management teams in charge, dominant positions in their market, and the ability to change with the times. They're also sticky businesses, which have customers that pay on a regular basis without fail.

If these stocks have prospered for the last 40 years, there's no reason why they won't do well for the next 40. They have the qualities successful businesses need.

The only thing investors have to do is wait and buy these great companies at reasonable valuations. In today's market, that might be a little easier said than done, but it's very possible for a patient investor to build such a portfolio.

Here are three such forever stocks to get you started.

Bank of Montreal

Even though many of its larger peers get more attention, there are plenty of reasons to like **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) over the long term.

One of the biggest is its exposure to the United States. Through its subsidiary BMO Harris Bank, approximately 25% of net income comes from the United States with an additional 5% coming from other international operations. That's nice diversification, and with the Canadian banking market already spoken for, look for BMO to expand further in the U.S.

Another reason to like the banks here is as a long-term play on increasing interest rates. Yes, it doesn't appear rates here in Canada are about to increase, but an October rate hike by the Federal Reserve in the United States is looking increasingly likely. Canada does have a history of following the United States when our neighbor raises rates.

Finally, there's the matter of valuation. BMO shares are trading at less than 13 times trailing earnings and less than 12 times projected 2016 earnings, which is very reasonable. Plus, investors are paid a 4% dividend—a terrific yield.

Empire Company

If given a time machine, I bet the management of **Empire Company Limited** ([TSX:EMP.A](#)) would go back and undo the company's \$5.8 billion acquisition of Safeway's Canadian stores.

Not only did Alberta's economy start tanking almost immediately after the deal closed—Safeway is a major operator in the province—but the two companies had other integration problems too, including inventory issues and a near mutiny of Safeway customers after management discontinued Safeway's own store brand products and its loyalty program.

But there's still a lot to like about Canada's second-largest grocer. Alberta will recover, and that will push up both revenues and earnings. Business in most other areas of the country is pretty good. I also like the company's expansion into other retail avenues, like gas stations and liquor.

Finally, earnings are expected to rebound nicely next year after being weighed down by intangible asset write-offs in 2016. Analysts expect the company to earn \$1.60 per share in 2017, putting shares at just 13.5 times forward earnings.

Manulife Financial

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is Canada's largest life insurer. It is also the cheapest in the sector on several different metrics, including price-to-earnings and price-to-book value.

Like BMO, Manulife is a play on increasing interest rates. But it is also a play on a couple of other powerful trends. First, the company is expanding rapidly in Asia, including less-developed markets in the region. This should help long-term growth. And secondly, Manulife is a big wealth manager in Canada and the United States. An aging population will likely mean increased profits from that division as well.

Although investors have been disappointed by dividend cuts in the past, Manulife's current 4.2% yield looks to be pretty sustainable. That's a nice consolation prize while waiting for shares to increase.

Conclusion

BMO, Empire, and Manulife are great companies that have performed for investors for decades and should continue to perform for decades more. I doubt long-term investors will be disappointed with the results if they load up on these proven stocks today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:EMP.A (Empire Company Limited)
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