Young Investors: 2 Dividend Stocks to Buy Today and Forget About for Decades

Description

When it comes to investing, time is the one advantage millennials have over their parents and grandparents.

Stock markets can be volatile over the course of a few months, or even years, but when you look at the returns over decades, there is a strong track record to suggest that buying dividend-growth stocks and reinvesting the distributions in new shares can build a substantial pile of wealth.

Which stocks should you buy?

The best companies hold leadership positions in their industries and have solid histories of dividend growth.

Let's take a look at **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks.

Bank of Nova Scotia

Bank of Nova Scotia is Canada's most international bank with full-service operations in more than 30 countries.

The company has invested billions in recent years to beef up its international presence, and the majority of the focus is on Mexico, Peru, Chile, and Columbia.

This might sound surprising, given the history of instability in Latin America, but there is wisdom in the strategy.

The four countries represent the core of the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital among the member states. When the markets are combined, you get a banking opportunity with more than 200 million consumers who are underbanked compared to developed economies.

The middle class is growing and as income levels improve, consumers demand credit cards, car loans, and investment products.

Bank of Nova Scotia is also positioned well to win business from companies that are expanding in the bloc.

Why?

Every time a company goes into a new market, it needs a wide variety of cash management services to operate efficiently. By having a strong brand presence in each market, Bank of Nova Scotia can easily accommodate these needs.

The investment is already paying off and shareholders should see strong results in the coming years. The Latin American operations generated year-over-year loan growth of 14% and deposit growth of 17% in fiscal Q3 2016.

Bank of Nova Scotia has paid a dividend every year for more than a century. The current payout yields 4.2%.

A $10,000 investment in Bank of Nova Scotia 20 years ago would be worth $151,000 today with the dividends reinvested.

Enbridge

Enbridge is already a pipeline giant, buts its recently announced $37 billion purchase of **Spectra Energy** will make Enbridge the largest energy infrastructure company in North America.

Pipeline companies rely on the construction of new assets to grow revenue and raise the dividend.

Enbridge currently has $16 billion in near-term projects on the go, and Spectra will add another $10 billion to the mix. As these assets are completed and go into service, Enbridge expects cash flow to increase enough to support annual dividend growth of at least 10% through 2024.

The long-term development portfolio contains an additional $48 billion in projects. This should ensure solid growth for the foreseeable future.

Enbridge operates in the energy sector, but less than 5% of its revenue is directly impacted by movements in commodity prices. As a result, the stock is generally more stable than the oil and gas producers.

Long-term investors have done very well with this company. A $10,000 investment in Enbridge 20 years ago would be worth $355,000 today with the dividends reinvested.

Is one more attractive?

Both stocks are solid buy-and-hold investments. If you only have the cash to buy one, I would go with Enbridge today for its strong dividend-growth outlook.

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1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
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