Income Investors: 3 Top Dividend Stocks to Buy and Hold Forever

Description

Dividend investing is one of the most trusted methods that successful investors use to build wealth during their lifetimes.

Investing in mature and solid businesses produces a slow but steady income stream. If you reinvest your dividend income back into the company, you'll realize how quickly your wealth multiplies with the magic of compounding.

Successful income investors pick solid stocks, reinvest the dividends, and then hold those stocks for a long time. If this investing style is something you find attractive, then here are a few dividend-paying stocks in Canada that are backed by solid businesses, producing steady returns each quarter.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is one of my favourite picks among the top banking stocks in Canada. Bank of Nova Scotia is the nation's third-largest bank by assets with a strong global presence. It has been sending dividend cheques to its investors every year since 1833.

A good thing about the Canadian banks is that they aren't marred by a huge competition like you see in the U.S. Here, we have a kind of oligopoly; it's very tough for newcomers to challenge the dominance of "Big Six."

Banking companies have wide economic moats, meaning they are big and powerful enough to sustain competitive pressures and have the muscles to adapt to a changing business environment.

Bank of Nova Scotia last year made a 32% profit margin and a 13% return on equity (ROE). Just to keep things in perspective, this ROE is much higher than its American peers, which, on average, produced a little over 9% ROE last year.

With a 3.87% annualized dividend, Bank of Nova Scotia is well positioned to continue paying above-average returns to its investors.

Enbridge Inc.

Pipelines and power utilities also provide stable returns without too much risk to your capital. The pipeline operator Enbridge Inc. (TSX:ENB)(NYSE:ENB), has delivered a total return of 49% over the past five years, massively outperforming the **S&P/TSX Composite Index**.

Besides its attractive dividend yield of 4.76%, Enbridge has a good capital-appreciation potential, too. The company is pursuing a massive growth plan after its $37 billion merger with Spectra Energy Corp last year. This merger has created the largest integrated pipeline network in North America with $48 billion worth of potential future projects.

Enbridge predicts it will be able to increase its dividend by 10% on annualized basis through 2024 as it completes these new projects. Assuming no capital gains during this period, this growth in dividend payouts alone should be enough to beat the rate of inflation.

BCE Inc.

One important element of a successful dividend-investment strategy is that you've got to look for diversification opportunities, as you don't want to put all your eggs in one basket. In Canada, buying a stable telecom operator is one way to diversify your risk.

In the telecom sector, I like **BCE Inc.** (TSX:BCE)(NYSE:BCE), which operates Canada's largest telecom network. It owns a comprehensive portfolio of companies, offering broadband communications and content services.

Though new entrants have challenged BCE in recent years, it's really hard to reach BCE's scale and match its network superiority. BCE stock has provided 75% capital appreciation to its long-term investors in the past five years—more than twice the gains produced by the S&P/TSX Composite Index.

With a 4.8% dividend yield, one of the highest among mature Canadian companies, it's unlikely that BCE will disappoint its shareholders in years to come, especially when it has paid dividend for the past 134 years without interruption.

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