Retirement Income: 2 Top Dividend Stocks to Hold Forever

Description

If you're starting to build your retirement income portfolio, one proven strategy that investment professionals recommend is to focus on dividend-paying stocks.

Because you're in for a long haul, you should ignore the daily market noise and pick companies with healthy balance sheets, durable competitive advantages, and wide moats — a term coined by Warren Buffett to highlight businesses that can defend their products in highly competitive industries.

These companies should also have an impressive track record of earnings growth, and the ability to increase their dividend regularly. And finally, these businesses should be backed a predictable stream of future cash flows.

You shouldn't be surprised to find this kind of stability in simple and predictable industries that many investors label as "boring."

Here are two dividend stocks that fit in the model I described above. Their dividend yields aren't the highest on offer, but these companies have built strong, diversified businesses in different global jurisdictions, providing investors safety and long-term growth potential.

Brookfield Infrastructure

Brookfield Infrastructure Partners L.P. (TSX:BIP.UN)(NYSE:BIP) operates a very diversified portfolio of assets globally. Its assets range from a electricity and gas distribution business in Australia and the U.S., railroads in South America, and a portfolio of 36 ports in North America, Asia Pacific, the U.K., and across Europe.

This diversified network of infrastructure projects helps the company generate sustainable and growing dividends over the long term. With a current yield of 3.14% and a distribution-growth target of 5-9% annually, Brookfield Infrastructure offers an attractive opportunity for dividend investors.

Its shares have rallied 21% this year, outperforming many top-quality names. After these hefty gains, you might wonder if the time is right to take exposure to Brookfield Infrastructure stock as it trades at an 87.75 price-to-earnings multiple.

My answer to these concerns is that the company has a solid pipeline for future growth projects which should continue to fuel dividend growth and justify the high earning expectations from investors.

Fortis Inc.

Another important consideration that income investors should keep in mind while picking global players is that the stocks should provide a hedge against local economic shocks.

Fortis Inc. (TSX:FTS)(NYSE:FTS), the St. John's-based global utility company, which operates in

Canada, the U.S., Central America, and the Caribbean, is one such example of recession-proof stocks.

A global power and gas utility with much of its cash flows coming from contracted and regulated tariffs, Fortis is in a great position to withstand economic cycles.

Fortis provides electricity and gas to 3.2 million customers in those regions, generating strong cash flows to distribute among its shareholders.

With a history of 43 years of consecutive hikes in the dividend payment, Fortis stock should continue cranking out cash, as it’s unlikely that people will stop paying their utility bills. Fortis expects about 6% growth in annual dividend payments through 2021.

The stock currently yields 3.49%, which may not look too exciting to some investors, but if you’re looking for stable income for the years to come, then Fortis stock is a good candidate for your portfolio.

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