



Income Investors: 2 Top Dividend Stocks to Hold Forever

Description

I love utilities and banks for buy-and-hold investors. These companies have an incredible ability to generate cash due to their predictable natures and customer stickiness.

Let's talk about banks first. Who likes monthly bank fees and transaction charges every time we use their services? But how many times have you changed your bank? Or how many times have you put in serious efforts to understand which bank is charging less? Many Canadians rarely change their financial institution once they get used to the system.

These are the things you look for when you decide to invest in a company. Customer loyalty turns banks into cash machines that churn out money every month without putting in too much capital.

The same goes for gas and power utilities. Once you're hooked up to their system, they keep charging your bank account month after month. No matter how much you hate the rising power and gas bills, you can't live without these services.

But banks and utilities are great investments for income investors. They provide growing income and stability to your portfolios.

In Canada, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) are the two top dividend stocks you can hold in your income portfolio forever. Here is why.

TD Bank

When it comes to dividends, it's tough for other sectors to compete with Canadian banks. TD Bank distributes between 40% and 50% of its income in dividends.

After a 5% increase in its dividend this year, income investors in TD Bank stock earn a \$0.60-a-share quarterly dividend. With a dividend yield of 3.34% and a manageable payout ratio of 45%, you are all set to get future increases, as this solid Canadian financial institution grows its income at home and abroad.

TD Bank maintains the largest presence in the U.S. among top Canadian banks. This diversification means it is well positioned to grow its profits as the North American economy remains strong. Trading at P/E multiple of 13.62, its stock doesn't look expensive when you compare it with other financials.

Fortis Inc.

Fortis, the St. John's-based global power and gas utility with much of its cash flows coming from contracted and regulated tariffs, is another strong dividend stock for income investors.

Fortis provides electricity and gas to 3.2 million customers in the U.S., Canada, and Caribbean countries. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

With a history of 44 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 3.63%. That 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.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
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Author

hanwar

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