2 Recession-Proof Dividend Stocks to Buy and Hold Forever

Description

The extreme volatility we saw in the markets early this year is a reminder that equities don't move in a straight line. The next market meltdown or recession is a matter of "when" rather than "if." To protect your portfolio from these shocks, you need to add some recession-proof stocks to your income portfolio.

Companies that provide products and services, such as electricity, water, and telecoms, are generally recession-proof because these services are so crucial to our daily lives. With this theme in mind, I have picked these two recession-proof stocks for you to consider for your long-term income portfolio.

Brookfield Infrastructure

The Toronto-based **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP) has all it takes to be labelled as a recession-proof stock. Brookfield owns utilities, transportation, energy, and communications infrastructure across North and South America, Asia Pacific, and Europe.

These infrastructure assets are long-lived and produce a steady cash stream. Brookfield acquires assets that it can add good value to. It actively manages those assets and tries to maximize the return by selling them at attractive prices.

This strategy has worked well for the company's shareholders. Since its inception in 2008, BIP has delivered annual total returns of 15%.

Brookfield has been a great dividend-growth stock. The company targets annual growth of 5-9% in its dividend, but the actual growth of 12% has far exceeded its distribution target. Trading at $49.43 and with a current dividend yield of 3.8%, Brookfield is a relatively safe pick to add to your portfolio.

Dollarama Inc.

Discount retailing is another area that provides you shelter during any market downturn. These retailers carry items that appeal to consumers who are price conscious and belong to the middle- to low-income groups.

Canada's largest dollar store **Dollarama Inc.** (TSX:DOL) nicely fits in this category. During the past five years, this stock has returned 320%, assuming you had re-invested all your dividends back into the company.

The reason of this success is that Dollarama is good in placing the right product mix on its shelves that Canadian middle-class consumers want. Dollarama began introducing goods priced above $1 in 2009 and has slowly incorporated pricier merchandise to its mix, introducing the $3.50 and $4 price points in 2016.

Trading at $151.58, Dollarama stock is one of the safest bets in today's challenging environment for retailers. Dollarama also offers a small 0.33% dividend yield, which translates into a $0.48-a-share annual payout. With a payout ratio of just under 10%, the company has a lot of room to grow its dividend.

The bottom line

No equity investment is risk-free, but some companies have a better chance to withstand any economic downturn than others. Both BIP and Dollarama certainly fall in this category.

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1. Dividend Stocks
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