2 Top Dividend Stocks to Buy and Hold for Life

Description

The secret of a successful investing strategy, in my view, isn't secret. Investing is all about becoming a partner in a company with the intent to remain invested for a long time.

The crux of this strategy is to buy a few good businesses, keep reinvesting the dividends you get, and hold on for the long haul. Some of the world's greatest investors, such as Warren Buffett, are using this method to grow their wealth.

There is no doubt that investing in equities comes with risk, and the challenge you'll face while picking your stocks is to separate the wheat from the chaff.

Broadly speaking, the stocks you pick for your long-term portfolio should have dominant positions in their industries with a wide economic moat to defend themselves from competition. The companies you pick should also have long histories of rewarding their investors with growing dividends.

Here is an example of two top dividend stocks from Canada that I believe belong to this group and that you can consider to get started on your forever income portfolio.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is Canada's second-largest lender with a solid track record of producing superior returns for investors. The reason that I like TD for long-term investment is this lender's diversified operations and its strong presence in the U.S.

You will be surprised to know that TD has more branches in the U.S. than it has in Canada. It's among the 10 largest banks operating in the world's largest economy. This unique position in both Canada and the U.S. has allowed TD to deliver returns that exceed many analysts' expectations.

Its dividends have grown about 11% on annualized basis in the past two decades, putting the lender among the top dividend payers in Canada. And with a relatively safe payout ratio of between 40% and 50%, investors are in a good position to get growing payouts going forward.

Fortis Inc.

Investing in energy infrastructure companies with regulated revenue structures is highly recommended in this buy-and-hold strategy. Regulated revenue provide stability to the companies' cash flows and predictability in their payouts.

St. John's-based **Fortis Inc.** (TSX:FTS)(NYSE:FTS) is a North American utility; it's is a good example from this space. According to the company's guidance, its $15 billion, five-year capital-spending plan will produce an annual compound growth rate of 5.4%.

With an annual dividend yield of 4.17%, Fortis plans to hike its $1.7-a-share annual payout by 6% through 2022. With growing dividends, you also need stability in your return. And Fortis hasn't done badly on this metric either. The company has increased its dividend payout for 44 consecutive years.

The bottom line

Buying and holding dividend stocks is a great way to build your wealth. In this strategy, you're not going to get gains that some explosive growth stocks offer, but you're going to be rewarded with above-average returns in this less-risky approach.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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