2 Dividend Growth Stocks to Buy and Never Sell

Description

Nothing appears to be common between **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Enbridge Inc**. (TSX:ENB)(NYSE:ENB).

Enbridge is North America's largest pipeline operator, while BMO is one of Canada's largest banks. These stocks, however, have one thing in common that make these stocks ideal for retirees to buy and hold: both companies have a long history of paying dividends that have been growing fast.

For retirees, dividend-growth stocks offer a great opportunity to boost their income. These stocks are the best sources to unlock the power of compounding. As you get rising dividends from these companies, you have the option of reinvesting this bounty by buying more shares and multiplying your wealth.

The second reason that makes dividend growth stock attractive is that they provide a hedge against inflation. In real terms, dividend-growth stocks protect the value of your portfolio amid ever-rising prices.

Dividend history

Stocks, such as BMO and Enbridge, have created wealth for investors, not just over years, but also for generations. When you own names like these, you no longer have to worry about inflation, bear markets, or asset bubbles. BMO, for example, has been mailing out dividend cheques to investors since 1829, and Enbridge has been paying dividends for than six decades.

You can easily find stocks that offer hefty dividends, but you should be very careful before committing your hard-earned dollars, as these dividends may not last. But BMO and Enbridge are different. These are the two top dividend stocks with the power to ride through recessions, wars, and commodity cycles.

With a dividend yield of 3.78%, BMO pays a $0.93-a-share quarterly dividend. This payout has increased with an 8% compound annual growth rate with a manageable payout ratio of 50%.

During the past five years, investors who'd bought and held BMO stock made ~72% in total returns. This return may not look too exciting to some investors, but remember, you're investing in a mature company with a manageable risk.

Enbridge, on the hand, is offering a much attractive yield at 6.35%. The company pays $0.67-a-share quarterly dividend. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 11.7%. Going forward, Enbridge is expecting 10% growth in the annual dividend through 2020 as it undertakes $22-billion development projects, that on completion will fuel more growth in the company's cash flows.

The bottom line

Buying and holding dividend growth stocks is a proven way to build your wealth for your golden years. If you're in it for the long haul, you should invest in stocks such as BMO and Enbridge. As the years tick by, you'll realize how quickly your wealth is multiplying thanks to growing dividends and the power of compounding.

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TICKERS GLOBAL

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2. NYSE:ENB (Enbridge Inc.)
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hanwar