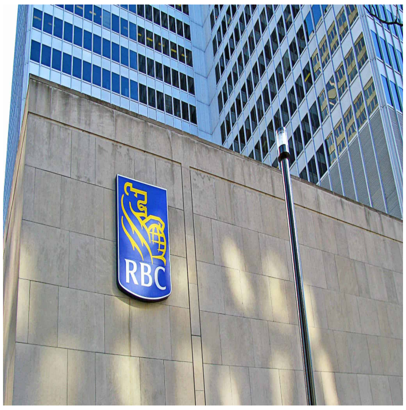

A Top Dividend Stock to Buy and Then Forget

Description

There aren't many dividend stocks in this universe that you shouldn't sell once you have bought them. The world's most successful value investor, Warren Buffett, knows this art very well. His favourite holding period for stocks he likes is "forever."

That said, you can't hold the majority of stocks that you buy to make capital gains forever. Once the fruit is ripe, it's better to pluck and eat. But if your goal is to build your savings for your retirement, then keeping some forever stocks in that portfolio is a highly recommended strategy.

What are forever stocks? In a simple language, these are the businesses you can easily explain to your grandchildren. We use their products and services every day, and their brands are so powerful that generations grow with them.

These companies pay dividends no matter what's happening with the general economy. Their payouts survive peaks and troughs, wars, depressions, and asset bubbles.

Cash machines

These companies' products and services are so crucial to our lives that we can't imagine a normal life without them. Think about banks, telecom utilities, power and gas providers, and insurance companies. These companies are cash machines that never stop.

Once you buy these dividend stocks, you can own them for the rest of your life. You know through their histories that these businesses have rewarded investors for generations, and they have the power to continue to do so.

In Canada, the nation's top lenders are the best example to explain this "forever" stock phenomenon.

They operate in an oligopoly where their domestic businesses are well protected from competition. They generate hefty cash flows with their net incomes rising steadily. Investors in these stocks earn growing dividends with a little threat of any surprise.

Take the example of **Royal Bank of Canada** (TSX:RY)(NYSE:RY). The nation's largest lender has paid dividends to shareholders every year since 1870. If one had invested $10,000 in RBC stocks in 1990, that investment would be worth $177,848 today, delivering a 1,768% return.

In that period, there were recessions, bank closures, and the 2008 Financial Crisis. RBC was able to ride through all these crises just because it had a wide economic moat to defend itself.

The bottom line

Buying and holding forever stocks, such as RBC, is a tested approach to build your wealth for your nest egg. There is no doubt that today's technology stocks have also delivered returns that no one can imagine in such a short span of time.

While you continue to invest in these high-growth areas, it doesn't hurt to keep some top-quality dividend stocks on the side and hold them for the next 30 to 40 years. As the years tick by, you'll realize how much more cash you have at your disposal to spend after your retirement — thanks to these forever stocks.

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1. Bank Stocks
2. Dividend Stocks
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hanwar