



2 Dividend Stocks to Buy Now and Hold for the Next Decade

Description

What makes a stock a long-term buy? In my opinion, it's all about a competitive advantage that a company commands over its rivals.

If you're a long-term investor who likes to buy and hold stocks, you should always look for companies with leading positions in their industries. That strength in defending their businesses from competition allows these companies to produce a large amount of surplus free cash flow, which, in turn, creates a growing stream of income for investors.

Keeping this theme in mind, I have picked **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) — two Canadian dividend stocks that you can consider buying. Let's take a deeper look.

Preserving your capital

For long-term investors, one of the most important considerations while picking a stock is that you want to invest in companies where your capital is safe. Though no investment is technically free of risk, solid dividend stocks are relatively safe when compared with some speculative areas of the market.

Both BMO and Suncor have a great track record on this account. BMO, [Canada's fourth-largest lender](#), has been mailing out dividend cheques to investors since 1829. It has a strong franchise in Canada, where the banking market is dominated by top five lenders with a little threat of competition.

Calgary-based Suncor is one of the largest oil producers in North America with a diversified asset base. That includes large oil fields, gas stations, and wind farms. The company holds the largest reserves in the oil sands, and it owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

Due to this strength in its portfolio, [Suncor stock](#) has rebounded strongly from one of the worst oil slumps in recent history. After hitting a multi-year low in 2016, Suncor stock has gained about 80% since then, as oil prices recovered.

Dividend growth

For buy-and-hold investors, a growing a stream of dividend income should be another key consideration while picking a dividend stock. The reason is that you're not a day trader who uses charts and other momentum signals to make money. Your main attraction to buy a stock is to unlock the power of compounding.

As you get rising dividends from these companies, you have the option of reinvesting them back in your portfolio and slowly multiplying your wealth.

With a dividend yield of 3.61%, 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%.

Suncor hiked its quarterly dividend by 12.5% this year to \$0.36 per share, marking the 16th year of consecutive annualized dividend increases.

The trick here is to avoid risky names that may look attractive when you look at their double-digit dividend yields. But BMO and Suncor are different. These are two top dividend stocks with the power to ride through recessions, wars, and commodity cycles.

Bottom line

Buying and holding dividend stocks is a tested strategy to build your wealth gradually. Stocks such as BMO and Suncor are two great examples you can use to identify other opportunities in the North American market.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
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1. Editor's Choice

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:SU (Suncor Energy Inc.)

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