

Dividend Investors: Do You Own These 3 Buy-and-Hold Forever Stocks?

Description

Over my years of investing, I've come to a conclusion I can only regret not reaching a decade ago.

Investing really is done best when you maintain a simple approach of buying the best companies you can and holding them for a very long time.

The devil is in the details, of course. How do you differentiate a good business from a bad one? How much diversification is best? When's a good buying opportunity? How about selling? These questions — plus dozens more — ensure no matter how much we collectively work at it, investing will still be a tricky skill to master.

I'm convinced investors who implement a simple system of sticking with tried and true blue-chip stocks will end up doing pretty well. Plus they get the benefit of building a great passive income stream that comes with attractive tax benefits. Successful implementation of this strategy can pay dividends for a lifetime.

Here are three of Canada's best buy-and-hold forever stocks, all trading at reasonable valuations today.

TransCanada

An important part of considering buy-and-hold forever stocks is taking a hard look at a company's asset base. Can it be disrupted easily?

Pipelines are a sector that cannot be easily replaced by competition. No matter how much you might want it, getting new pipelines built in Canada is extremely difficult. It isn't much easier in the United States, either.

This is great news for **TransCanada Corp** ([TSX:TRP](#))([NYSE:TRP](#)) and its network of 91,000 kilometres of natural gas pipelines and 5,000 kilometres of oil pipelines. The company also has 11 power plants that collectively generate some 6,600 MW of energy. Put all this together and you get a mammoth energy giant that comes with very little exposure to underlying commodity prices.

These great assets have cemented TransCanada's place atop the list of Canada's top dividend growth stocks. The company has hiked its annual dividend each year since 2000, and shares have delivered a 12% annual return since then. The current yield is just over 5%.

National Bank

Canada's big five banks get all the attention, but there's a simple reason why investors should consider **National Bank of Canada** ([TSX:NA](#)) as an investment over its larger competitors.

That reason is growth potential. National Bank has virtually zero operations outside of Canada, save for a couple of investments in tiny banks in places like the Ivory Coast and Cambodia. Just 8% of all

revenues came from outside of Canada, and much of that came from existing U.S. operations. In short, there's plenty of potential for National Bank to become a truly global brand. Investors can get in on the ground floor of this growth by buying today.

In the meantime, investors are getting a piece of a great bank in Canada, one that consistently posts comparable numbers to its larger competitors. Shares trade at an attractive price-to-earnings ratio and the company has offered fantastic dividend growth historically. The stock currently yields just over 4%.

Brookfield Asset Management

Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#)) has quietly amassed a world-class collection of assets, ranging from real estate, renewable power, and much more. It then collects fees for managing these assets for other investors on top of participating on the upside when the portfolio goes up. What a wonderful business model.

Led by CEO Bruce Flatt, Brookfield is a disciplined buyer that will insist on getting a good deal for whatever it adds to the portfolio. The company focuses on buying assets at under replacement costs, and then it squeezes a few extra dollars out of recurring cash flows and waits for the market to fully value its latest prize.

Brookfield isn't cheap — shares currently trade at 25 times forward earnings — but getting access to such a lucrative business will never come at a bargain price. The stock also features a 1.3% dividend and explosive growth over the last 10 years.

The bottom line

There's no guarantee stocks like Brookfield Asset Management, National Bank, and TransCanada will continue their outperformance over time, but I sure like their chances. These are the kinds of stocks that form the bedrock of a solid portfolio. If you don't own at least one already, what are you waiting for?

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:BN (Brookfield)
4. TSX:NA (National Bank of Canada)
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