2 Top Dividend Stocks to Buy in Both Good and Bad Times

Description

The plunging stock values is a good reminder that good times don't last forever. The massive erosion of values of high-flying technology stocks during the recent correction is also a reminder to investors that chasing high-growth stocks is a high-risk strategy that might not work all the time.

For buy-and-hold investors, one approach that works in both good and bad times is investing in solid companies that pay dividends no matter what's happening with the general economy.

Their payouts survive peaks and troughs, wars, depressions, and asset bubbles. And the next logical question is: how we can find such stocks? Here are two top Canadian dividend stocks that you could use as an example to build your buy-and-hold portfolio.

Canadian National Railway

When you pick dividend stocks for your buy-and-hold strategy, you should look for companies with a wide economic moat, solid cash flows, and a generous history of rewarding their investors.

Canadian National Railway (TSX:CNR)(NYSE:CNI) fits the bill perfectly. It's a transportation giant with a dominant position in North America, running a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

The company has paid uninterrupted dividends since going public in the late 1990s. This year, management boosted the quarterly payout by 10% to $0.46 per share, totaling $1.84 annually for a yield of 1.61%.

CN Rail's small dividend yield shouldn't discourage you, however. CNR has been increasing its dividend with a five-year CAGR of 14% and has plans to continue with the double-digit growth in its payouts going forward.

Royal Bank of Canada

Canada's top banks provide another avenue to buy-and-hold investors due to their wide moats, growing dividends, and strong growth in their cash flows.

Royal Bank of Canada (TSX:RY)(NYSE:RY) is the nation's largest bank with more than $1.2 trillion in total assets. It also has a strong presence in the U.S. after its acquisition of City National Bank in 2015.

RBC is a low-risk investment to earn stable and growing dividend income. The lender has paid distributions to shareholders every year since 1870 with a strong track record of dividend growth.

Going forward, analysts see 7-10% growth in dividends, which is line with the lender's earnings growth over the medium term. The current payout of $3.92 per year provides a forward yield of 4.11%.

The bottom line

Robust cash flows, a dominant market position, and a solid history of paying dividends are some of the qualities of a top dividend stock for your buy-and-hold portfolio. CN Rail and RBC stocks easily meet these criteria, making them top picks for long-term investors.

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