TFSA Investors: These 3 Buy-and-Hold Forever Stocks Are Must-Buys Today

Description

Another January is upon us, which means that thousands of Canadian investors have contributed fresh capital to their Tax Free Savings Accounts (TFSAs).

Now the only thing left to do is put that cash to work. Some investors like to trade in and out of stocks inside their TFSAs, banking short-term profits while avoiding expensive capital gains taxes.

I prefer to do things differently, however. I take long-term positions in great companies and, ideally at least, hold them for decades. Sure, sometimes it doesn't work out, but overall it's an incredibly powerful form of investing. Besides, taking a hands-off buy-and-hold approach frees up my time to worry about other things.

All that's left is to choose these great companies. Here are a few of Canada's best stocks that would look great in any portfolio.

TC Energy

TC Energy Corp (TSX:TRP)(NYSE:TRP), the new name for TransCanada, owns one of North America's largest networks of pipelines and other energy infrastructure assets. Some 70% of earnings come from its natural gas pipeline division, with contributions from oil pipelines and the power generation business making up the rest.

Pipelines are a wonderful business, especially here in Canada. It's become nearly impossible to get a major pipeline project approved here, which automatically makes existing pipelines all the more valuable. Even getting major new pipelines approved in the United States has become difficult — a struggle TransCanada knows all too well with its Keystone XL expansion.

TC Energy also offers one of the best dividends out there. The current payout is $0.69 per share each quarter, which works out to a 5.1% yield. And investors don't have to worry about the sustainability of the dividend either, with the current distribution coming in at less than 50% of projected cash flow. The company has a history of hiking its dividend annually, a trend that should continue.

Canadian Utilities

Last year I started buying **Canadian Utilities Ltd.** (TSX:CU) shares for two reasons. First, the beaten-up stock represented a good value, and second, I was tired of paying the company monthly for my power and getting nothing in return.

Canadian Utilities has two major divisions, both of which deliver fairly predictable earnings. Its power business both generates electricity and owns the infrastructure to get that energy into customer homes. The company also owns a pipeline and distribution division that delivers both natural gas and industrial water from producers to customers. Most of the company's revenue comes from regulated sources, which ensures steady cash flows.

This translates into one of the best dividend-growth records out there. Canadian Utilities has increased its payout each year since 1972. The company didn't wait long to announce its 2019 increase, telling investors on January 10 that it was increasing the payout by 7.5% in 2019. This bumps the forward yield up to 5.1%, which is an excellent mix of current income and growth over time.

CP Rail

Canadian Pacific Railway Ltd. (TSX:CP)(NYSE:CP) has long been a favourite of value investors for a very obvious reason. Its rail network — 12,500 miles strong, stretching across Canada and into the northern part of the United States — is simply irreplaceable today.

The days of CP being known for poor operating results are long gone. The company has taken huge steps forward in efficiency. The average train is longer and goes faster than ever before while spending less time inactive. Critics argue the company can't get much more efficient, but that's okay. All it needs to do is maintain the status quo.

This has translated into fantastic bottom line growth, with earnings per share nearly doubling from 2013.

CP doesn't have a spectacular dividend — the current yield is below 1% — but the company makes up for it by spending aggressively to buy back its own shares. Since the beginning of 2013, it has repurchased some 35 million shares, reducing the share count from 178 million to 133 million. Look for this trend to continue.

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