These 3 Stocks Will Provide Lifelong Income

Description

It's much tougher to be an investor nowadays. The world is changing so fast.

Formerly rock-solid companies are being disrupted at record speed. And well-capitalized technology companies threaten to change even more industries in the future. It's always been hard to figure out the difference between a terminally ill company and one just going through a rough patch, but I'd argue it's even harder today.

Investors must be extra diligent and fight hard to make sure they're investing in the best choices. Not every blue-chip stock is poised to survive. Here are three companies that are safe additions to your portfolio today — corporations that will thrive going forward. They are poised to provide you with lifelong income.

Royal Bank

Some investors were convinced a few years ago that a new wave of financial technology companies — collectively labeled as FinTech — would knock traditional banks like **Royal Bank of Canada** (TSX:RY)(NYSE:RY) off their pedestals, offering products like loans or investment advice directly to consumers for much lower fees.

Canada's largest banks responded by buying some of the more promising FinTech companies and then investing heavily in their own technology. RBC specifically spent more than $3 billion in 2018 alone improving its technological reach. It's clearly working, as customers have migrated to using smartphone apps for their day-to-day banking versus going to a branch.

The company is poised to win over the long term, too. It is Canada's largest bank and the fifth-largest bank in North America. Some 60% of its revenue comes from its Canadian operations, with 23% from the United States and 16% from other nations. Segments include personal and commercial banking, wealth management, capital markets, insurance, and investor and treasury services. Some 16 million people are RBC clients worldwide. This is a true behemoth.

All of this is personified by the company's ever-increasing dividend. RBC has increased its quarterly dividend by an average of more than 7% over the last decade, with another dividend increase announced for 2019. The current payout is $4.08 per share on an annual basis — good enough for a 3.8% yield.

Recipe Unlimited

Recipe Unlimited (TSX:RECP) is the new name for Cara Operations, one of Canada's largest and most diverse restaurant owners. You've likely eaten at one of the company's brands recently, which include Swiss Chalet, Harvey's, East Side Mario's, Montana's, and newer additions like New York Fries and The Keg.

Recent results were great, with total system-wide sales hitting $3.4 billion in 2018 — growth that was primarily driven by the Keg acquisition. Free cash flow surpassed $164 million, which works out to $2.66 per share. Recipe Unlimited shares currently trade hands at $27.12 each, which puts shares at just over 10 times free cash flow. That's a very reasonable valuation.

The company also increased its dividend by 5% earlier this year, pushing the quarterly payout to $0.1121 per share. That works out to a 1.7% yield. Investors shouldn't worry about the low yield; much of the company's excess cash flow is dedicated to paying back debt, so it has funds to make the next acquisition.

Canadian Apartment Properties

To conclude our trifecta of businesses not easily disrupted by technology, we have apartments. Because people are always going to need some place to live.

Canadian Apartment Properties REIT (TSX:CAR.UN) has grown into one of Canada's largest residential landlords. It owns more than 50,000 apartments and land-lease sites in Canada and recently expanded into the Netherlands.

Shares have been on fire lately, increasing 29% over the last year and nearly 62% over the last three years. Results have been outstanding, with the company reporting strong occupancy of 98.9% and a 5.7% increase in monthly rents during its last quarterly report. And it has the balance sheet strength to expand, with a debt-to-book value ratio under 40%.

Canadian Apartment Properties REIT is one of Canada's most expensive REITs, but it deserves the valuation. The company is firing on all cylinders.

The company's dividend is currently 2.9%, which is lower than most other REITs. But it makes up for that with a much lower payout ratio than normal for the sector, which gives it room to increase distributions in the future. The current payout ratio is under 70%.

CATEGORY

1. Bank Stocks
2. Dividend Stocks

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1. NYSE:RY (Royal Bank of Canada)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:RECP (Recipe Unlimited)
4. TSX:RY (Royal Bank of Canada)

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