3 Growth Stocks to Buy and Hold for 20 Years

Description

While Warren Buffett's ideal holding period is "forever," there are plenty of advantages to holding a stock for several decades.

First, you don't have to worry about overpaying a bit. Many investors wait for the perfect entry point to buy a stock. If your holding period is 20 years or more, it's unlikely that stressing over minute differences in purchase price will matter much.

Second, you get to shelter your gains from taxes. You only pay taxes on *realized* gains, such as a dividend or stock sale. As long as you keep holding the stock, the value compounds with few tax consequences. This can magnify your ultimate returns quite a bit.

Which stocks are worth buying and holding for multiple decades? You'll be wealthier for paying attention to these three picks.

Constellation Software

Constellation Software (TSX:CSU) almost never disappoints. Since 2006, shares have exploded higher by more than 4,000%. Over that period, the stock has never had a down year.

What makes this stock so special?

While the company currently has a $25 billion market cap, its business model largely focuses on niche opportunities. By developing and acquiring vertical market software businesses, Constellation helps automate core processes of various industries.

With over 125,000 customers in over 100 countries, Constellation is deeply embedded into its customers' work, so much that it's nearly impossible to remove the company's software without impacting mission-critical work. That's why Constellation is so profitable and has industry-leading renewal rates.

The stock looks pricey at 48 times earnings, but this company has consistently proven that it's worth the premium.

Canada Goose

Long-term investors rejoice. Last week, **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) stock went on sale.

Since its IPO in 2017, Canada Goose stock has consistently traded between 50 and 100 times trailing earnings. After a 30% plummet on May 29, the stock trades at just 33 times trailing earnings.

Why the drop? It wasn't necessarily because the business is performing poorly, but rather that expectations were too high.

In the fourth quarter, the company recorded growth across every geography. Sales jumped by 28% in Canada, 36% in the U.S., and more than 60% throughout the rest of the world. Gross margins increased to 65.6% from 62.7% the year before.

Investors weren't too happy about guidance, however. Management now anticipates sales to grow by just 20% per year, with EPS growth pegged at around 25% annually.

Long-term investors should take advantage of the short-term drop. If management can hit 25% EPS growth over the next few years, shares could be trading at just 16 times 2022 earnings.

Even if these rates aren't hit, it's likely the earnings will be significantly higher over the next decade or two. If you're a believer in the brand, this looks like a great entry point.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has a resilient business model that won't go away for decades or even centuries.

By building and operating pipelines, the company provides a mission-critical service to Canadian oil companies. Without Enbridge, many of these oil producers wouldn't exist.

As regional oil supply continues to mount, demand for pipeline capacity has never been higher. This not only improves pricing on Enbridge's existing assets, but it also provides room to build new pipelines altogether.

With a proven ability to effectively build and maintain energy infrastructure, Enbridge is in the lead for supplying the market with new transportation capacity. For example, by the end of 2019, its Line 3 upgrade could provide 375,000 barrels per day of much-needed capacity.

Because it services a critical part of the energy supply chain, Enbridge is able to consistently generate huge sums of cash quarter after quarter. With a solid 6% dividend, this is a stock you can easily buy and hold for 20 years or even forever.

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rvanzo