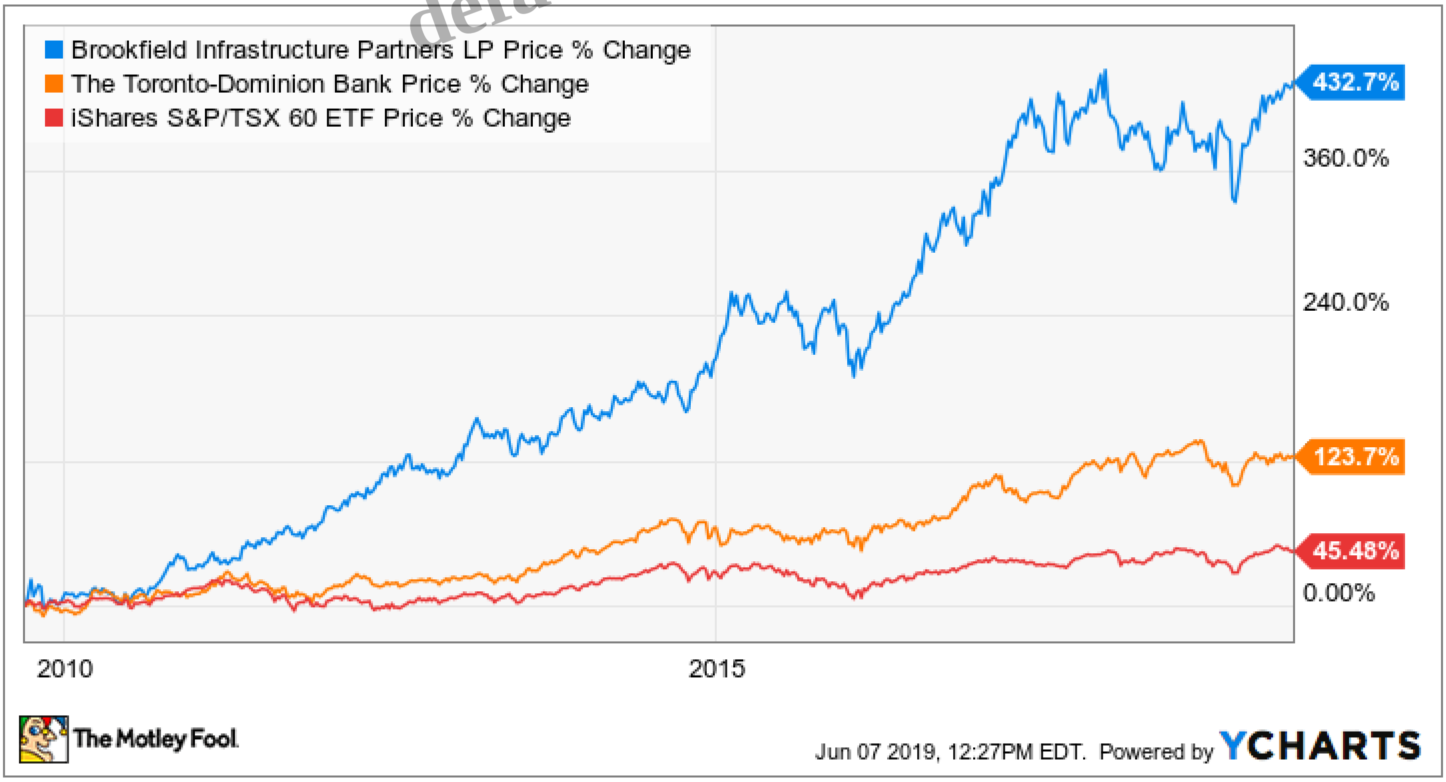
TFSA Investors: 2 Dividend Stocks to Buy and Hold Forever

Description

When choosing dividend stocks to buy and hold forever, you want to cherry pick the ones that tend to outperform.

Both **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) stock and **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP) stock tend to outperform the market and their peers while increasing their solid dividends.



Data by YCharts. Stock price performance of the market and the stocks of BIP and TD over the last 10 years.

Therefore, they're top candidates for buying and holding forever in your TFSA for tax-free income and returns.

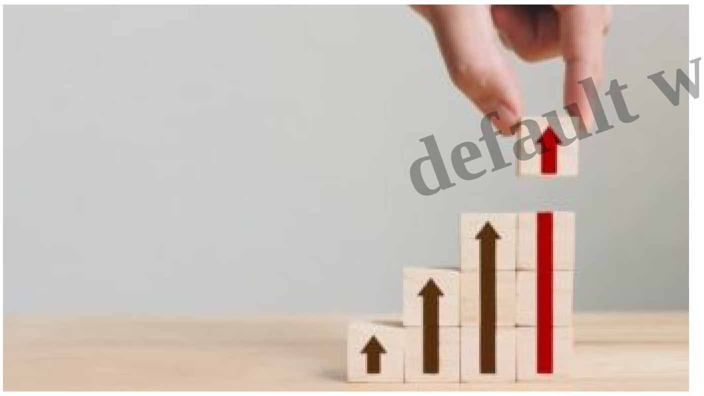
TD Bank

By buying TD Bank stock whenever it's fairly valued, investors have gotten long-term returns of about 10-12% per year. That's a fabulous return in a proven dividend stock with below-average risk.

The quality bank has its eyes set on growing its earnings per share by 7-10% per year over the medium term. The growth will likely mostly come from the stronger U.S. economy versus the Canadian economy, even though its Canadian Retail business should still deliver stable returns and growth.

For example, in fiscal Q2, the adjusted net income of TD's Canadian Retail segment only climbed 2% year over year, while the growth was 20% for its U.S. Retail segment.

Currently, at about $75.50 per share, TD stock trades at a price-to-earnings ratio (P/E) of roughly 11.3 and offers an above-average yield of 3.9%. So, the stock is slightly undervalued from its long-term normal P/E of about 12.1. A P/E expansion can lead to a boost in returns of about 1.3% per year over the next five years, leading to total returns of about 12-15%. Investors can also expect dividend growth to roughly match the earnings growth of 7-10% per year.



Brookfield Infrastructure Partners

Since 2009, BIP stock has delivered total returns of more than 20% per year, and since 2014 its total returns have been 17.8% per year. These returns handily beat the returns of its peers as well as the North American market returns, which were both less than a rate of 11% in those periods.

The safe utility aims to grow its funds from operations per unit by 6-9% per year. The growth will come from a combination of inflationary price increases (that's embedded throughout its operations), GDP growth, and growth from cash flow re-investments. Altogether, it results in safe cash distribution growth of 5-9% per year.

BIP has already increased its cash distribution for 11 years straight with a three- and five-year dividend-growth rate of about 10%. And there's no doubt it will continue raising its dividend.

Currently, at about $56.70 per unit, BIP stock offers an above-average yield of 4.7%. The stock is fairly valued with a mean 12-month price target that's about 8% higher from current levels, according to **Thomson Reuters**

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If you don't own any shares in the diversified utility with assets across different areas of critical infrastructure to the economy, including operations in utility distribution and transmission, rail, toll road, port, energy infrastructure, telecom, and data storage, you should definitely consider some shares as a part of your buy-and-hold strategy.

Foolish bottom line

Both TD and BIP have proven to be excellent long-term holdings in delivering incredible total returns and dividend income that beats the markets and peers. So, they'll make perfect buy-and-hold-forever stocks in your TFSA for tax-free returns and income, especially since they're trading at good valuations today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:TD (The Toronto-Dominion Bank)

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