



Build Permanent Wealth With These 3 Stocks

Description

Warren Buffett's favourite holding period is "forever," but it's tough to find stocks that qualify. Too often, entire industries find it difficult to create long-term wealth for shareholders.

We're always told to buy-and-hold, but what's actually worth buying and holding?

Fortunately, you only need to find your "forever" stocks once. Focus on durable business models with proven histories that stand the test of time. While nothing is certain, a proven track record is your best defense against an uncertain future.

If you're looking to build permanent wealth, here are three top-ranked selections.

Boring is business

Manulife Financial Corporation ([TSX:MFC](#))([NYSE:MFC](#)) is a boring stock, but with a history dating back to 1887, it's proven itself capable of surviving whatever the world throws at it.

Today, Manulife is one of the largest insurance companies in the world. That's an incredibly stable business to be in, but given consistently rising markets, it's no surprise to see investors ditch this reliable stock for high-growth names.

Today, shares trade at just eight times earnings. Profits aren't growing quickly, but that's clearly a rock-bottom price for a durable business.

Buying Manulife stock today gives your portfolio multiple long-term advantages.

First, buying cheap, high-quality stocks is always a good way to make money. Second, its 4.2% dividend has a payout ratio of just 37%, meaning that the company can double the yield while remaining profitable. Finally, insurance stocks are a great [hedge](#) against rising interest rates.

This stock will never wow you during a bull market, but when volatility hits and panic ensues, you'll be

pleased to have Manulife in your portfolio.

Trust the master

Fairfax Financial Holdings Ltd ([TSX:FFH](#)) is led by Prem Watsa, the Warren Buffett of Canada.

In fact, Fairfax Financial is very similar to Buffett's **Berkshire Hathaway Inc.** Both companies are holding vehicles that allow the founders to invest huge sums of money on a regular basis on behalf of shareholders.

With Berkshire Hathaway, you're trusting Warren Buffett. With Fairfax Financial, you're trusting Prem Watsa.

While he doesn't get much international attention, Watsa has earned your respect the hard way. Since 1985, book value per share has risen by nearly 19% per year. The stock has a similar record of performance.

The best part is that this firm has decades of growth ahead of it. The share price would have to rise more than 2,000% before it reached the size of Berkshire Hathaway.

This is the definition of a [buy-and-hold-forever](#) stock.

Old faithful

Railroads have been minting millionaires for centuries. Throughout history, they've consistently found a way to capitalize.

Warren Buffett agrees. In 2010, he purchased Burlington Northern Santa Fe for \$34 billion. That purchase price ended up being a steal.

If you want to follow in Buffett's footsteps, take a look at **Canadian Pacific Railway Ltd** ([TSX:CP](#))([NYSE:CP](#)).

Railroads will nearly always offer cost-efficiencies for customers when compared to air or trucking. And while ocean freight is attractive, it's simply not an option for most inland destinations. A century from now, railroads will likely still be creating shareholder value through the same monopoly-like business model.

"The firm possesses a strong moat, and is showing increasing revenues, profits and margins, and offers a strong dividend payout coupled with the ability to continuously grow dividends (as evidenced by its low payout ratio)," writes Fool contributor Prosper Bakiny.

Coupling this stock with Manulife and Fairfax Financial would provide a bulletproof portfolio with plenty of long-term upside.

CATEGORY

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TICKERS GLOBAL

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CP (Canadian Pacific Railway)
4. TSX:FFH (Fairfax Financial Holdings Limited)
5. TSX:MFC (Manulife Financial Corporation)

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