2 Dividend Stocks to Buy and Hold Forever

Description

Dividend stocks can be the best of both worlds. They can provide you with regular cash income to support daily expenses or reinvest back into the market. Plus, many dividend stocks have lower volatility than the overall market with the ability to *beat* the market over the long term. What's not to like?

This is where things get tricky. For all their advantages, many dividend stocks don't match up to expectations.

Often, these companies opt to pay out high dividends instead of reinvest in the business, hindering long-term growth and causing shareholders to *underperform* the market. What good is some cash income if you end up with less money down the road?

Other times, these companies overcommit to a large payout, only to slash the dividend months or years down the road, typically forcing the stock price significantly lower. Yet again, what good is a high initial payout if it's eventually cut and you're forced to take capital losses?

These scenarios are dramatic, but they're more common than most dividend investors are willing to admit. If you want to take advantage of income-producing stocks, it's critical that you get the balance right. The company must pay a respectable dividend while still having enough cash leftover to grow and enough wiggle room to avoid a payout cut during a bear market.

Dividend stocks are common, but companies that can manage the balancing act are rare.

Fortunately, Canada has two of the best dividend stocks on the market, ones that pay healthy, stable dividends and have promising long-term growth prospects. It's not often that you get a combination of growth, stability, and income in a single stock, yet both of these companies look the part.

Preparing for the future

The future is going to be different than the past. As obvious as that may sound, many companies aren't prepared for the inevitable decades ahead.

Consider the plight of newspapers. Since mass adoption of the internet arrived in the 1990s, most prognosticators predicted the decline of print news sources. Yet many of these companies continued to operate undaunted, only to see their share prices sink and their doors shuttered. Over the last decade alone, thousands of North American newspapers have gone out of business. It was something everyone saw coming, but few incumbents were willing to change.

Fossil fuel usage presents a similar dilemma. Today, renewables are more cost effective than hydrocarbons across huge swaths of the world. Forget environmentalism; the case for renewables is pure economics.

According to investment bank **Lazard**, the total installed cost of utility-scale wind energy has been cheaper than coal and natural gas for nearly a decade. Utility-scale solar became cheaper than coal and natural gas in 2015. Right now, we're simply experiencing a replacement cycle issue. It's still cheaper to operate 50-year-old coal plants than build a new wind farm. But year after year, as legacy power projects are retired, renewable energy takes market share due to its superior economics.

While many energy stocks have failed to make the transition, **Canadian Utilities** and **Brookfield Renewable Partners** are taking full advantage. Earlier this year, Canadian Utilities sold its entire fossil fuel portfolio. Brookfield Renewable, as its name suggests, has always focused on clean energy projects.

Both companies are ramping wind, solar, and hydro projects at rapid speed. Once built, these projects have incredibly low operating costs. Wind, sun, and water flow, after all, are free. This cost effectiveness ensures that they'll always be the cheapest producer, preventing competitors from swooping in.

Today, Canadian Utilities pays a 4.4% dividend, while Brookfield Renewable yields roughly 4.8%. Those are healthy dividends supported by rock-solid assets that will have a competitive edge for decades. Plus, the ongoing transition from fossil fuels to renewable energy should provide additional decades of growth.

Building consistent wealth through age 50 and beyond is the key to retiring rich. These two stocks strike the perfect balance between income, growth, and resiliency.

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