Retirees: A Top Dividend Stock for You to Buy Now and Never Sell

Description

What are the stocks that you shouldn't sell after buying? The answer to this question, of course, depends on why you're buying stocks and your holding power.

In general, investors whose aim is to build a strong income portfolio for their retirement age should hold quality stocks over a longer period of time.

Once you have decided to invest for the long term, the next big challenge is to find top dividend stocks that are consistent in rewarding investors, carrying low risk. You can find such stocks in some of the most boring areas of the market. Banks, insurance companies, telecom, and power utilities are among the top dividend stocks that you once bought, you don't need to sell.

Some of the reasons that make them so consistent performers for dividend investors is their ability to generate recurring sales through their scale that they have built over time by investing billions of dollars.

Toronto-Dominion Bank

If you're on a hunt for such stocks, then I strongly recommend adding some of Canada's largest lenders in your portfolio. Canadian banks have been very consistent in rewarding investors through steadily growing dividends.

Their main strength comes from their strong local presence, ability to grow south of the border, and that they operate in a regulatory environment that's among the best in the developed world.

And among the Canadian lenders, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is on top of my list. The lender has an excellent payout policy, distributing between 40% and 50% of income in dividends each year. In addition, TD has a great diversification business with its wide presence in the U.S.

It generates about 30% of its net income from the U.S. retail operations. The bank also has a 42% ownership stake in **TD Ameritrade** with a fast-expanding credit card portfolio. Following its aggressive growth in the U.S. during the past decade, TD now runs more branches south of the border than it does in Canada.

During the past five years, TD has delivered 35% in total returns that include payouts. During the same period, the benchmark S&P/TSX Composite Index expanded just 12%. TD Bank was able to outperform due to its sound business strategy, leading market position in Canada, and aggressive expansion in the U.S.

Trading at $76.65, TD stock still has more room to grow, according to analysts' consensus price target of $80.20 for the next 12 months.

Another reason to buy TD stock is that it has been growing its dividend at a strong pace. After a 10.4% increase in its payout in February, income investors in TD stock now earn a $0.74-a-share quarterly dividend, which translates into a 3.9% yield on yearly basis.

The bank is forecast to grow its dividend payout between 7% and 10% each year going forward — an impressive growth rate at a time when other assets aren't offering good returns.

Bottom line

TD is a great stock to hold for the next 10, 20, or even 50 years. It will slowly add to your wealth and you will have a chance to grow your savings by unlocking the powerful process of compounding.

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