$1000 in These Stocks Could Deliver $1000 in Annual Dividends by 2037

Description

While it may sound too good to be true, the power of compounding can lead to some interesting results if you do the math. It turns out that if you pick a company with a stable business model and a habit of growing dividends every year, you could reach a stage where the company pays your initial capital in *annual dividends.*

In other words, a $1000 investment today could result in a $1000 dividend every year.

Admittedly, these sort of companies are remarkably rare. It could take decades of dividend expansion to deliver this phenomenal result. The odds of finding the right company are usually stacked against the average investor.

Nevertheless, I may have found two stocks that seem to fit the bill. In fact, these companies may be able to deliver this unlikely performance within the next two decades. Here's a closer look.

Suncor

Much has been said about the waning demand for oil and the struggles of Canada's energy sector. However, **Suncor Energy** (TSX:SU)(NYSE:SU) is an underappreciated opportunity for investors who realize the long-term value of this sector.

Despite the steady transition to renewable energy and the rise of electric transportation, the world still needs oil to fill the gap during the transition for the next few decades.

Despite the near-term headwinds and lower price of oil, Suncor seems to be cash flow positive and paying out a healthy dividend. In fact, the company's 4% yield was attractive enough to catch the attention of Warren Buffett.

A $1000 investment in the company today would yield $40 in annual dividends. If Suncor can grow these dividends at its historic ten-year average rate of 21.8% and keep the dividend yield steady, the stock could be paying $1000 in dividends annually within 16 years or by 2036.

Canadian Natural Resources

Similarly, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) offers investors the same mix of features as Buffett's favorite Canadian stock — a high dividend yield (4%), robust demand for its products and a cheap valuation (price-to-earnings ratio of 10.8).

Unlike Suncor, however, CNQ seems more diversified in its operations, which mitigates the risk. Apart from Western Canada, the company has production facilities in the North Sea, Côté d'Ivoire and Gabon.

These are offshore oil drilling plants that are easier and cheaper to extract that Alberta's oil sands, giving the company cost advantages.

Also, nearly half of the company's production is focused on natural gas (24% of production), natural gas liquids (13% of production) and Bitumen (10%). This means that the business is much more robust and stable.

Like Suncor, CNQ has expanded dividends by a healthy clip over the past 10 years — 21% since 2009. At that rate, a $1,000 investment today could result in $1,000 annual dividends within 17 years or by 2037 assuming it keeps the 4% yield steady.

Bottom line

A great deal can change over the next two decades. However, based on the projected demand for crude oil, the strength of the balance sheets for these two companies and their track record of dividend expansion, investors could enjoy a healthy dividend payout for the foreseeable future.

Even if the dividends grow at half the pace in the future, most investors are likely to enjoy remarkably cash returns for decades, which makes these stocks ideal for long-term income seekers.

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