



3 Top Dividend Stocks to Buy and Hold Forever

Description

Dividend stocks that are worthy of buying and holding forever should have the following characteristics: an underlying business that has top-notch quality, a long-term stock price chart that's in an uptrend, ideally with below-average volatility, and safe and growing dividends.

I'll discuss three top buy-and-hold-forever dividend stocks that yield 3.9-4.7%.

What's a top-notch quality business?

A [top-notch quality business](#) should have relatively stable earnings or cash flow that tends to climb higher over time.

Toronto-Dominion Bank's ([TSX:TD](#))([NYSE:TD](#)) earnings follow more or less the Canadian and U.S. economic growth. So, its earnings are quite stable. Its dividend is more than five times what it was in 2001. And investors are expecting another dividend hike next week.

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) generates persistently growing cash flow from its globally diversified portfolio across a wide spectrum of quality infrastructure assets, including regulated utilities, rail, toll roads, natural gas midstream, data transmission and distribution, etc.

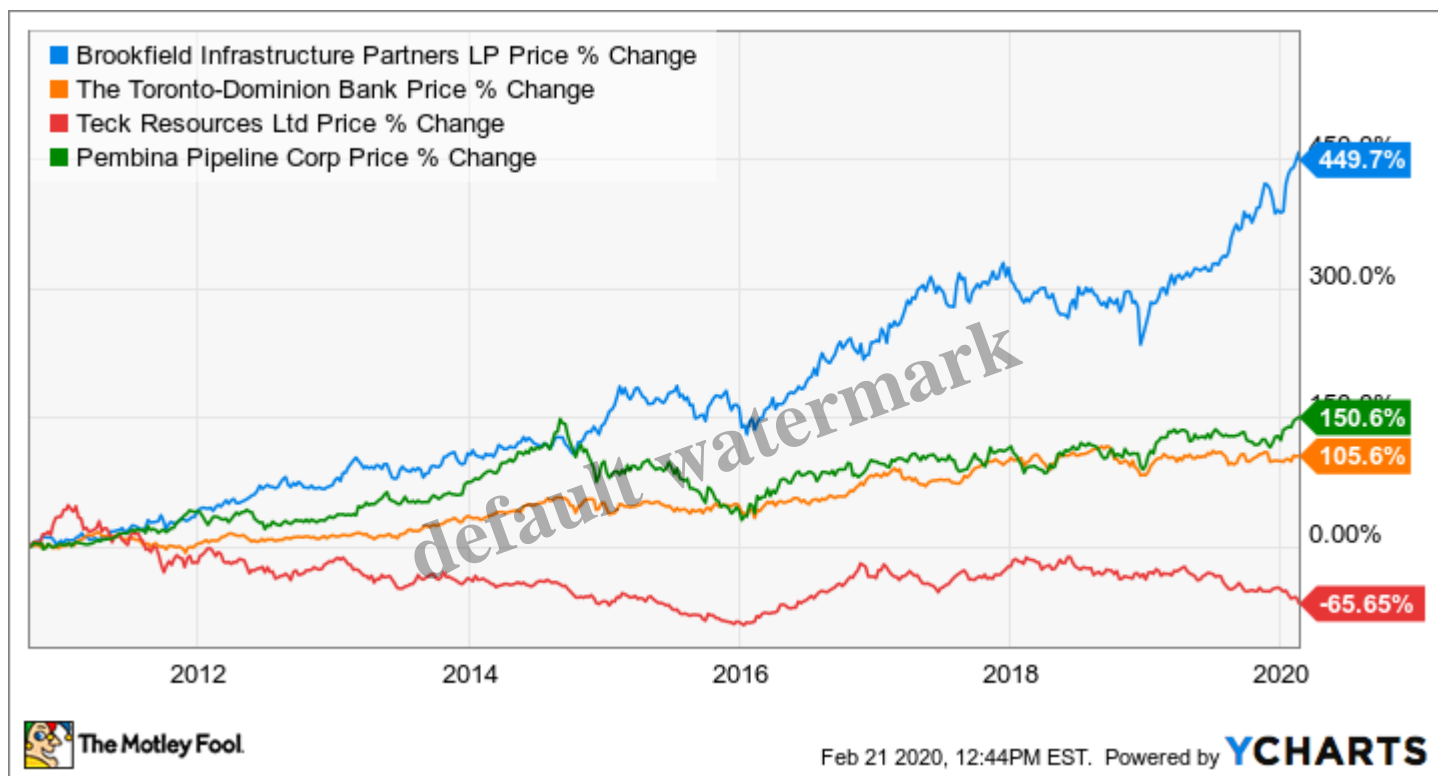
Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) provides transportation and midstream services to the North American energy industry. It has been building a highly integrated set of assets via internal projects and strategic acquisitions, such as Veresen and the more recent Kinder Morgan Canada and U.S. Cochin pipeline.

About 85% of Pembina's adjusted EBITDA is fee-based, which means its cash flows largely do not have commodity price risk but are based on the volumes transported. Simply put, its cash flows are highly stable.

Stock price chart in an uptrend

One easy observation investors can make is by looking at the long-term stock price chart to see if it's in an uptrend.

Below is the stock price chart of TD, BIP, Pembina, and **Teck Resources**, which is the only one that doesn't fit the buy-and-hold scenario. In other words, Teck is better for buying opportunistically at a cyclical low and selling at a cyclical high.

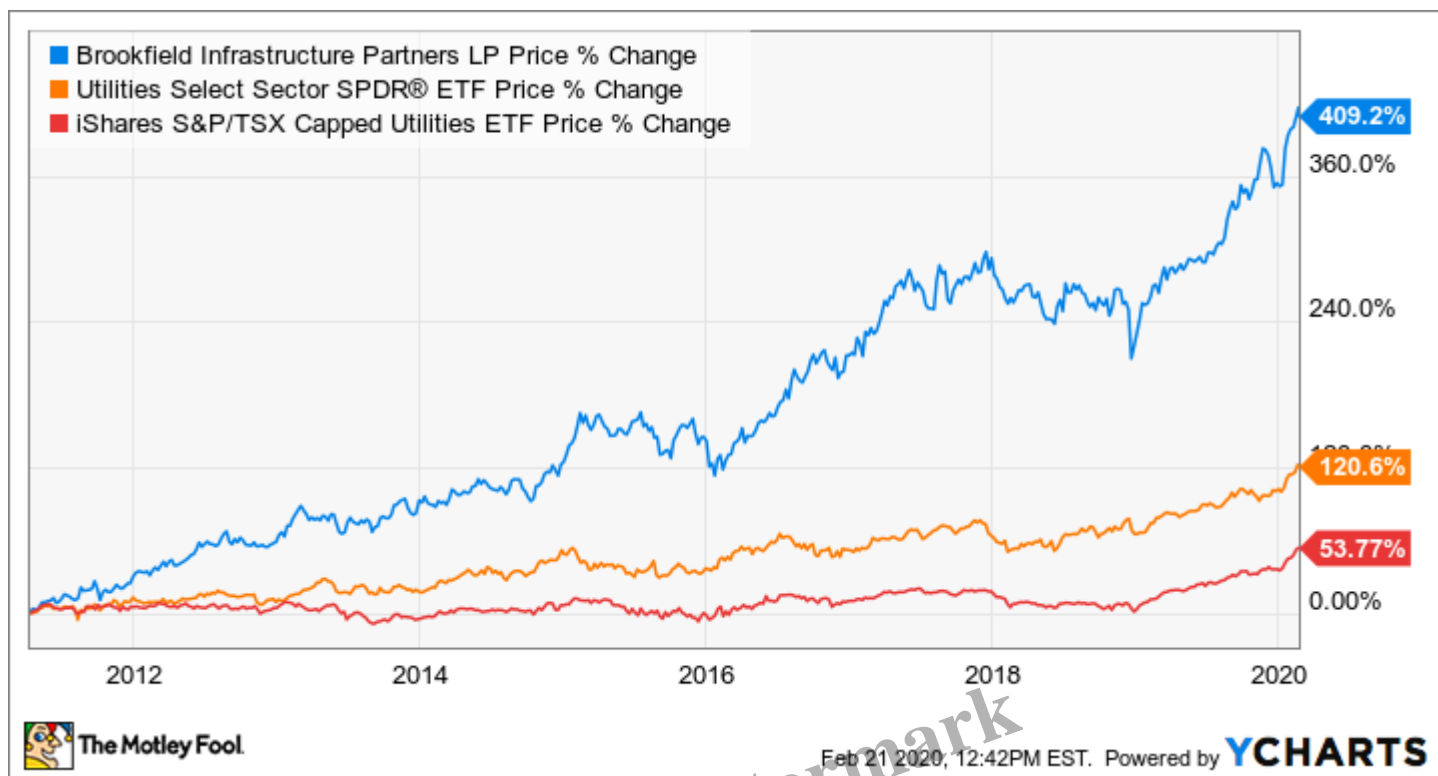


Data by YCharts.

In contrast, the other three stocks are suitable for buying at a good valuation and holding forever for price appreciation and growing dividend income.

Additionally, if you compare the total returns of TD, BIP, and Pembina stocks among their peers, you'll find that they're above average. That's important as well, because businesses that persistently outperform their peers will naturally deliver outperforming returns over the long haul.

For example, below is a 10-year chart comparing BIP stock's performance against the U.S. and Canadian utility ETFs. Currently, BIP also offers a greater dividend yield than the ETFs. So, it'll outperform in income generation as well.



Data by YCharts.

Safe and growing dividends

The business should maintain a sustainable payout ratio. Moreover, management must be willing to continue sharing profits with shareholders by consistently increasing the dividend.

TD stock's payout ratio is about 43% of this year's estimated earnings, while its five-year dividend-growth rate (DGR) is 9.5%.

Brookfield Infrastructure stock's payout ratio is about 74%, while its five-year DGR is 9.4%.

Pembina stock's payout ratio is about 56%, while its five-year DGR is 6.5%.

All three stocks offer [safe and attractive yields](#) of 3.9-4.7% and have the capacity to continue growing their dividends at a rate faster than inflation.

Investor takeaway

By buying these quality dividend stocks at good valuations, investors can sit back and enjoy a truly passive-income stream. Currently, TD and Pembina are slightly better buys for new purchases. For investors looking for a bigger margin of safety, wait for dips of at least 5-10% before buying.

There are other market-beating stocks trading at basement prices!

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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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