Forever Stocks: 1 Top TSX Dividend-Payer to Buy and Hold

Description

Forever stocks are like the Holy Grail of long-term investing. But just what constitutes a great stock that a Canadian can buy once and forget about? Well, for one thing, no investor should be thinking of "buying once" in the current economic climate.

Even the best and brightest blue-chip names should be bought in lower-risk packets of shares. Now let's take a look at what makes a stock worth that long position.

Buying forever stocks? Think "quality and variety"

One forever stock stands out more than most others right now: **Canadian National Railway** (TSX:CNR)(NYSE:CNI). It's had its ups and downs in the last six months, to be sure. But right now, CN is looking like one of the most defensive dividend-paying stocks on the market.

Why buy? CN Rail is the very picture of diversification. Its rail network is one of the support struts of the Canadian supply chain.

Spanning the whole country, CN Rail is a reduced exposure, long-term play for just about every sector. CN Rail is even a proxy for the oil industry. Want access to the potential growth spurt of an oil rally later in the year?

Want to avoid the top-heavy risk of a pure-play oil producer? Watching the faltering economic moat of the Mainline system with distrust? Try CN Rail and its oil-by-rail initiative.

Build positions gradually on weakness

And how about that dividend? CN Rail may not pay a significantly high yield. Even with the depressed market, CN Rail's dividend returns haven't been boosted by any great margin. However, a 2% will add up over the long term — passive income that will build up over the years.

But it’s not as simple as backing up the truck. Instead, investors should make a shopping list of forever stocks as the market continues to waver. Be ready for a few bad quarters and pick names you’d be willing to hold through thick and thin.

Also be prepared for dividends to be reduced or even put on hold while the markets course correct. Decide where you would want to enter the market and buy gradually on increasing weakness.

There’s also a case to be made for trimming weaker names from your long-term stock portfolio. While it’s inadvisable to time the market, rallies are to be made use of.

Last week was a good example of a time to shed a few shares in weaker companies. It also showed just how much upside those beaten-up names could hold. Energy and airline stocks did very well last week, with some historic rallies.

The bottom line

Investors are tiptoeing away from last week’s rally. Indeed, the coronavirus market could be with us for some time. Some countries are looking at programs that will get citizens back to work. However, the bottom line will be a vaccine.

And that won’t be ready for a projected 12-18 months. Investors may want to buy forever stocks and gradually build long-term positions with this kind of time frame in mind.

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