2 Stocks to Buy and Hold Forever

Description

For part-time investors, it can be difficult to stay on top of your portfolio holdings. This is especially true during times of significant volatility. It is why investors should choose which stocks to buy carefully.

If you don't have the time to actively monitor your positions, owning over 50 stocks may not be the right approach. If you are holding a large portfolio in an effort to diversify, you may be over extending yourself.

The purpose of diversification is to reduce unsystematic risk. Research has shown that the benefits of diversification tops out at around 30 positions. The diversification benefits only inch up marginally for every position added afterwards.

Keeping all this in mind, what is the best approach for the part-time retail investors? Identify stocks to buy that can be held forever. These are best-in-class, blue chip stocks that will act as foundational stocks in a portfolio.

Railway stocks to buy

The railway industry is dominated by two players, **Canadian Pacific Rail** (TSX:CP)(NYSE:CP) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI). They form a duopoly and as such, have some of the widest moats in the country.

Although both make excellent investments, the top stock to buy today is CN Rail. The railway is trading at 4.47 times book value, a steep discount to peer CP Rail (6.73). CN Rail's debt burden is also much less, with a debt-to-equity ratio of 0.79. For its part, CP Rail's D/E ratio is sitting at 1.28.

Similarly, CN Rail is a Canadian Dividend Aristocrat. It has a dividend growth streak that spans 24 years, the tenth longest in the country. At 1.94%, the yield is also double that of CP Rail (0.94%). Over the past decade, CN Rail has averaged 15.6% annual dividend growth.

Looking forward, analysts are expecting a down year in 2020 – not surprising given the current pandemic. Still, the company is only expected to see earnings dip by about 8% before rebounding in a big way (+17%) in 2021.

CN Rail is one of the safest stocks to buy. You can buy without having to check up on the company daily to see if the investment thesis has changed.

A top bank

In today's environment, financial stocks are under pressure. Not even Canada's Big Banks are immune, and most are sitting on significant losses. However, recent results are proving once again that Canada's banks are resilient and are top stocks to buy — perhaps none more so than **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

As Canada's largest bank, it has the means to come out on the other side of this pandemic on solid footing. Just as it did during the Financial Crisis, it appears that RBC will escape the current pandemic with a dividend cut.

Now yielding 4.84%, investors can lock in a yield close to record highs. During this pandemic, Royal Bank has been the best-performing bank. Despite losing 13.06% of its value, it is far outpacing the majority of its peers.

Despite bouncing off March lows, Royal Bank is still trading at only 1.6 times book value and 11.44 times earnings. Both of which are below historical averages.

RBC is proving once again to be a top stock to buy and is one of the best hold forever options for investors. Unless the entire economy and banking system goes belly up, investors can sleep well knowing Royal Bank is anchoring their portfolios with stable and reliable returns.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CP (Canadian Pacific Railway)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:CP (Canadian Pacific Railway)
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