



2 Great Stocks for Long-Term Wealth

Description

I am a big fan of **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) and its many subsidiaries. They are constant performers with excellent long-term potential. Now is another great reason to be buying shares of two subsidiaries, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) and **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

The great news

In the past year, both of these stocks have been the recipients of a great piece of news. BIP issued shares based on a corporate structure, and BEP is set to do so later this year. On paper, there is no real difference in holding one type of share over the other. In either case, you own a piece of the company which entitles you to a share of the profits. There are small advantages, though, for the corporate structure over the partnership model.

The first is that the structure is more appealing to international investors, Americans in particular. The partnership units were not as appealing for large, institutional investors outside Canada due to their tax structure. The corporate shares are more convenient for these large investors, increasing their appeal and liquidity.

The corporate structure also is appealing if you want to hold these shares outside a registered account. In your TFSA or RRSP, holding partnership units is not a problem. Outside of the tax-sheltered accounts, however, the situation becomes more muddled. The complicated structure of distributions creates an extra headache at tax time and does not have the favourable tax advantages that accompany a corporate dividend.

That's not the only good news

The fact that these companies are offering this new corporate structure is great, but there are more positive attributes to mention. After all, you don't want to buy a stock for the dividend or structure alone; you want to buy a great business.

Both BIP and BEP are excellent, growing businesses. Brookfield excels in allocating its capital effectively on a global scale. These companies own a number of businesses that will be in high demand long after the pandemic runs its course.

BEP, for example, is [a renewable energy giant](#) with operations in China, South America, Europe, and more. Its operations hit practically every part of the world, giving investors a global reach. It operates renewable wind, solar, and hydropower plants as well as distribution lines and storage facilities.

BIP equally has an [expansive network](#) of operations. It operates telecom projects as far away as India and a gas distribution business in Colombia, just to name a couple of its global investments. It also runs data centres around the world — a lucrative business considering how the global economy is shifting towards online work.

Income and dividends

Those tax-advantaged dividends have another great attribute. They are growing at a decent clip. Right now, the dividends and distributions on the two companies sit at about 4.5% each at the current share prices. However, those dividends are growing considerably over time. Each of these companies has a targeted dividend-growth rate of 5-9% on an annual basis.

No investment is perfect

The biggest downside to these stocks is debt, which is, of course, the biggest risk in the global economy today. However, both of these companies provide essential services and have well-contracted operations that should grow in demand, as governments invest in infrastructure. These investments will likely include the need for more power and data storage — services that are met by these two companies.

The bottom line

Both of these companies are great long-term holds that provide recession-resistant services. As with any investment, there are always risks, such as the debt on their balance sheets. However, the long-term track record, the appealing new share structure, and the history of dividend growth are worth considering if you are a long-term investor.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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