Got $5,000? Here Are 2 Stocks You Can Buy and Hold Forever

Description

Did you know that if a stock you invested in averaged a 10% return for 40 years, a $5,000 investment would grow to more than $226,000? You don't have to be rich to start investing, nor do you need a fortune to build one up over the years. Sure, not everyone has 40 investing years left, but you can also invest more to help accelerate that growth.

The point is, if you invest in a couple of solid dividend stocks, and get near a combined return of 10% (capital gains plus dividends), it isn't impossible to achieve significant (and relatively stable) returns over the long term.

Below are two stocks that could be great long-term options for that $5,000 that can potentially be pillars for your retirement decades from now.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is always near the top of my list when thinking about safe stocks to hold. It's a well-known name in Canada and the utility company makes for one of the most stable investments you can find on the **TSX**. Unless it makes an acquisition, its sales will likely remain fairly stable and consistent.

In the past four quarters, its revenue has fallen within a range of $2 billion and $2.4 billion. During that time, it's also netted a profit margin of at least 13%.

Its quarterly payments of $0.48 yield 3.6% annually and on a $5,000 investment that would generate $180 in income every year. It's not a huge amount, but Fortis also increases its payouts. Five years ago, it was paying $0.34 every quarter and has increased those dividend payments by 41% since then, averaging a compound annual growth (CAGR) rate of 7.1% during the period.

There are no guarantees when it comes to dividends, but if Fortis continues to raise its dividend payments, then your total returns will only get higher over time.

In 10 years, Fortis' stock is up over 80% and averages a compound annual growth rate of 6.2%. Combined with its dividend yield, you get to a combined return of 9.8%. Once you factor in dividend growth, you're easily over 10% if these growth rates continue.

Telus

Telus (TSX:T)(NYSE:TU) isn't in the utility business, but it's hard to notice given how stable this stock is. That's both a good and bad thing as shares of this telecom giant are up just 41% over the past decade, averaging a much more modest CAGR of 3.5%. But it makes up for that with a higher-yielding stock. Its quarterly dividend today is $0.29125 and yields 4.7%. On a $5,000 investment, that'll give you $236 in annual cash flow — about 31% more than Fortis' dividend will give you.

And Telus has also increased its payouts over the years. Five years ago, it was paying investors $0.42 every quarter, but when factoring in the stock's recent 2-for-1 split that's the equivalent of $0.21. The company's increased its dividend payments by 39% during that time for an average CAGR of 6.8%, slightly less than what Fortis has averaged.

With its dividend and the returns the stock's been averaging, Telus' total return is around 8.2%. It's shy of the 10% target, but this doesn't factor in dividend growth nor the possibility that the stock does better than an average return of 3.5% every year — which is fairly light. However, a slightly lower return wouldn't be too big of a price to pay for the stability that the stock offers.

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