2 Dividend Stocks to Buy and Forget Now

Description

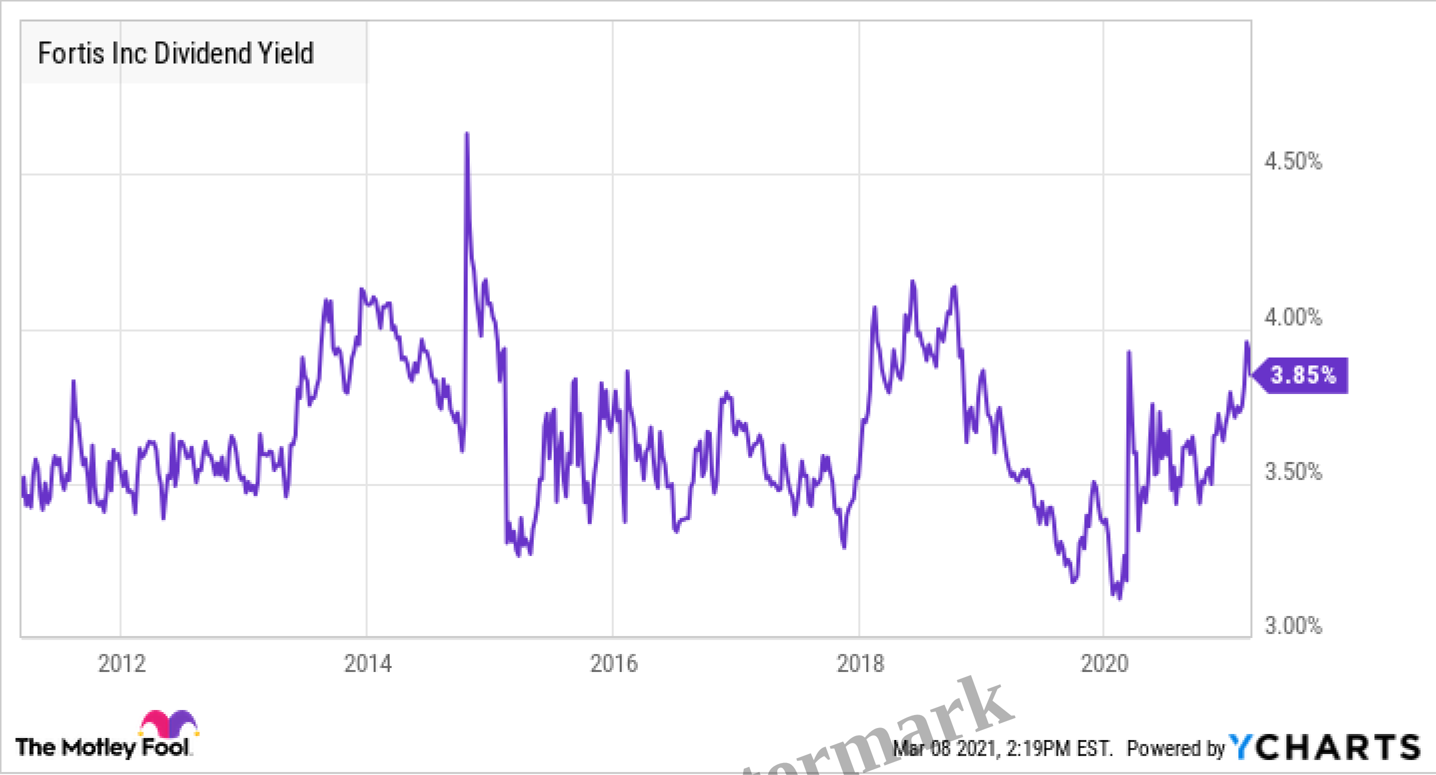
Utility stocks are some of the best dividend stocks to buy and hold for income and long-term price appreciation. The following utilities are among the best utilities to buy and forget right now.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock can add defense to a diversified stock portfolio. Because it's a regulated utility, it's set to earn predictable returns on its assets. Therefore, the stock tends to have low volatility and fall less than the market during market corrections.

Consumers use electricity and gas no matter if the economy is doing well or not. So, Fortis's earnings are also bound to be resilient through market cycles.

For instance, last year, the pandemic disrupted the economy, as economic lockdowns were imposed to reduce the spread of the coronavirus. However, Fortis increased its adjusted earnings per share by about 1% in 2020 versus 2019 when many other companies saw substantial declines in their earnings.



FTS Dividend Yield data by YCharts. Fortis stock's 10-year dividend yield history.

Fortis stock's dividend yield history indicates that the dividend stock is attractive at a yield of about 4%. Moreover, it will be declaring another dividend increase not too far into the future — in about six months according to its usual schedule.

The regulated utility has increased its dividend every year for almost half a century! It aims to increase its dividend by about 6% per year through 2025, supported by organic growth, projects in its pipeline, and a sustainable payout ratio.

Another quality dividend stock in the utility space

Brookfield Infrastructure Partners L.P. (TSX:BIP.UN)(NYSE:BIP) is another dividend stock you can trust to buy and forget as a defensive part of your stock portfolio.

The quality utility has outperformed the market and its peer group since it was spun out from **Brookfield Asset Management** and was listed on the **TSX** more than 11 years ago. Specifically, on the TSX, it has delivered annualized returns of 24% per year through the end of 2020, while its five-year returns were 20% per year.

Going forward, you can expect the solid dividend stock to continue outperforming its peer group.

Notably, times of economic turmoil like in 2020 truly tested BIP's business model. The company demonstrated super-resilient results with funds from operations growing 2% on a per-unit basis.

Other than continuing to increase its cash distribution during this time, it invested in the company and grew its asset base. Specifically, it increased its cash distribution by 7% and assets by 9% last year.

Notably, the stock still sold off as much as 46% from peak to trough during the market crash in 2020. However, most investors might only have noticed as much as a 36% correction, as the stock rebounded from the bottom within a week.

It goes to show that the market sells off anything and everything during a crash irrespective of the quality of the underlying business. It would be futile to try and trade around this. Instead, do-it-yourself investors can focus on the long term, and take market corrections as opportunities to add to shares of wonderful businesses like BIP.

At writing, the global infrastructure stock is reasonably priced and yields approximately 4%.

The Foolish takeaway

Fortis and BIP are good dividend stocks to buy and forget right now. First, they are reasonably or attractive priced based on their current valuations. Second, they provide nice yields of 4%.

Third, they will continue increasing their dividends in the foreseeable future — Fortis by about 6% through 2025 and BIP by 5-9% per year. Fourth, their business models are defensive through economic cycles.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:FTS (Fortis Inc.)

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