



Interest Rates Too Low? 2 Buy-and-Forget Canadian Dividend Stocks for You

Description

Interest rates are at historical lows at the moment, which makes it very difficult for many Canadians to generate sufficient income. For retirees, it could be worse. They might not be able to live on the income generated by their investments without spending down the savings.

Wouldn't it be nice to buy and forget quality stocks that will become more valuable over time? Additionally, it would be wonderful to generate nice juicy and growing income from these investments in the meantime.

Fortis stock

Thanks to **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) stock's consistency in increasing its dividend over 47 years, investors can easily identify that the Canadian dividend stock is relatively cheap whenever it trades at a yield of 4% or higher.

The chart below illustrates that in the last 10 years, investors aiming to buy and forget could have bought Fortis at a good valuation at certain times in 2014, 2015, 2018, and even this year.



FTS dividend yield data by YCharts.

Quality dividend stocks like Fortis seldom go on sale. When they do, you've got to buy them quickly before others bid them up. For example, so far this year, [Fortis stock](#) has only traded at a yield of +4% for about two weeks or so.

Because of the regulated utility's stable earnings, track record of execution, and strong history of dividend growth, it tends to trade at a premium valuation. Its 10-year normal price-to-earnings ratio is about 19.2.

The dividend stock only yields 3.7% right now, but analysts think it's fairly valued. If you're looking for a bargain, consider buying if the stock dips to about \$50.50-\$53.50 per share over the next 12 months. The price target range is determined based on a yield of 4% based on its current payout and a forward yield of 4% based on an expected 6% dividend hike in September. Once you buy Fortis in that range, you can pretty much hold on to those shares forever to generate a growing passive income.

Brookfield Infrastructure

Another dividend stock that justifies a premium valuation is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). The stock has increased its cash distribution every year since it was listed on the **TSX**. So far, that's 12 consecutive annual increases at an above-average rate of 11%.

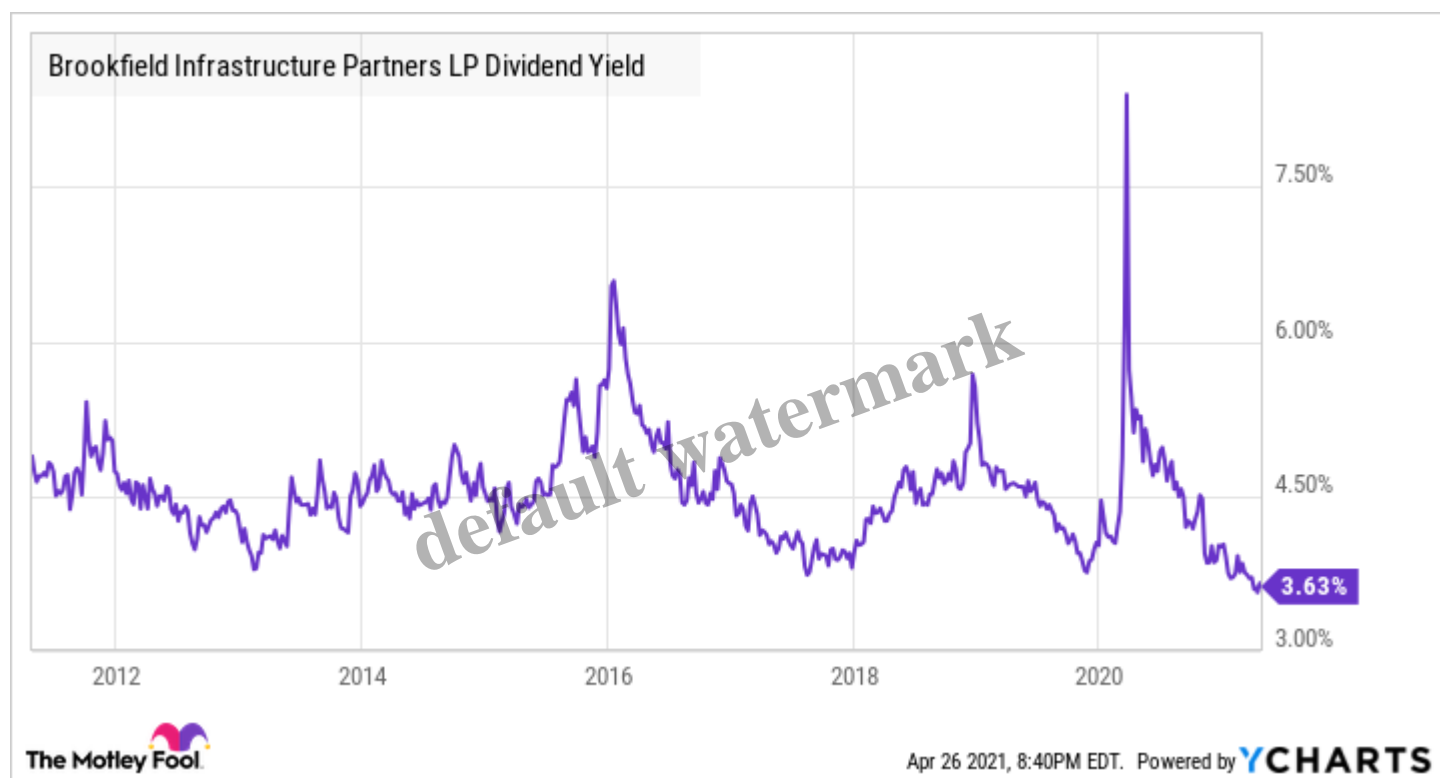
BIP is a very diversified business with utility, transport, midstream, and data infrastructure assets across North and South America, Asia Pacific, and Europe.

Last year, the pandemic hardly fazed Brookfield Infrastructure, which managed to increase its cash

distribution by 2% per unit. Its utilities and transport segments proved to be resilient, while BIP saw double-digit funds-from-operations growth in its midstream and data infrastructure segments. A part of that growth came from acquisitions.

The dividend stock benefits from being a value investor that recycles capital from mature assets into quality assets in industries or geographies that are scarce in capital. This strategy coupled with the company's operational expertise will continue to drive income and returns that exceed its competitors.

The dividend stock offers one of the lowest yields since its inception, as the market has bid up the quality shares.



BIP dividend yield data by YCharts.

Currently, the stock yields 3.8%. Notably, it does occasionally correct. During the pandemic market crash, BIP's safe yield was pushed up to north of 7.5% from a substantial drawdown in the stock!

Analysts think the dividend stock is fairly valued right now. If you want a better bargain, consider buying the stock on dips of at least 10%.

The Foolish takeaway

After buying quality dividend stocks like Fortis and [Brookfield Infrastructure](#) at discounts, you can forget about them and witness them growing more valuable for years to come. That is, you should see a rising share price and passive income over time.

CATEGORY

1. Dividend Stocks

2. Investing
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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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