3 Dividend Growth Stocks to Buy for Generations

Description

There are dividend stocks that you can hold on to, essentially forever, passing them on to the subsequent generation. There are also growth stocks that offer amazing long-term returns, and you can capitalize on their potential by holding on to them for decades. Then there is a small pool of assets where the two larger pools combine: dividend growth stocks you can hold for long-term.

A utility stock

Utility stocks like **Capital Power** (TSX:CPX) are often prized more for their dividend sustainability and the overall stability they offer to your portfolio, but a few of them (Capital Power included) bring decent growth potential to the table as well. The company is currently offering a juicy yield of 5.35% alongside a 10-year compound annual growth rate (CAGR) of 11.8%.

The company is a relatively new Dividend Aristocrat and has seven consecutive years of dividend increases under its belt. The payout ratio, while not exactly stable, is certainly better compared to the payout ratios of the previous years. So it's unlikely that dividend sustainability is in any trouble. The company is growing green at an incredible rate, making it an ideal utility stock to hold for the long term.

A REIT

Granite REIT (TSX:GRT.UN) is currently one of the most powerful growth REITs in the country. The REIT has a diversified portfolio of industrial assets, a decent number of them overseas, and thanks to the asset classes in its portfolio, the company is making a lot of money alongside e-commerce. It's a growing market that might still have a few years till maturity, and its growth will most likely reflect in Granite's as well.

Currently, the company is offering a relatively modest yield of 3%. And even though that doesn't really make it a very attractive dividend stock you might want to keep for decades, two other things do. One of them is the dividends sustainability and payout growth. The REIT has been growing its payouts for a decade, and its payout ratio is brutally stable (about 23%). The other thing is its powerful capital growth potential, as evidenced by its 10-year CAGR of 17.8%.

Also, the stock is currently trading at a very attractively discounted valuation.

A blue-chip telecom stock

The telecom oligopoly in Canada (with three giants consolidating most of the markets) might have left investors with relatively fewer options to work with, but it also promises stability. This makes Dividend Aristocrats like **Telus** (TSX:T)(NYSE:TU) great dividend-growth stocks to consider. This telecom giant has been growing its payouts for 17 consecutive years and offers a juicy 4.5% yield.

The capital appreciation potential, though not nearly as powerful as Granite, is still modestly attractive. The decade-long CAGR of 12.3% is quite sustainable and might grow your stake to a considerable size in one or two decades. It's also one of the major 5G stocks in Canada, and if 5G gains decent traction in the coming years, it can do wonders for Telus stock.

Foolish takeaway

The three Dividend Aristocrats are also powerful growth stocks that can be transformative for your portfolio, especially if you can buy them at the right time. A market crash doesn't have to be the only time they dip. Some internal issues or sector-specific problems can make the stock more attractively valued and push the yield higher.

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3. TSX:GRT.UN (Granite Real Estate Investment Trust)
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