

### 2 Warren Buffett Dividend Stocks to Buy and Hold Forever in an RRSP

### Description

Your Registered Retirement Savings Plan (<u>RRSP</u>) is a fantastic place to hold dividend-paying U.S. stocks.

In most accounts, such as a Tax-Free Savings Account (TFSA), U.S. dividends are subject to a 15% foreign withholding tax. This can significantly eat into your total returns as it reduces the dividend yield. Not so in an RRSP, where this tax is not applied to U.S.-listed stocks.

Some great dividend stocks to buy are those of <u>blue-chip</u> U.S. companies in the energy and consumer discretionary sector. A good place to start looking is in <u>Warren Buffett's</u> portfolio. As one of history's greatest investors, Buffett made his fortune by buying undervalued U.S. <u>large cap stocks</u> and "holding them forever."

Neither of my picks today are particularly <u>undervalued</u>, but as Buffett once said in a letter to his shareholders: "It's far better to buy a wonderful company at a fair price, than a fair company at a wonderful price." Let's take a look!

# Coca-Cola

Currently, the third largest investment in Buffett's portfolio is **Coca-Cola** (<u>NYSE:KO</u>) and it has been for quite some time. Buffett first purchased shares in 1988, and his holding has ballooned ever since due to numerous stock splits and ever-increasing dividend payments (for 60 consecutive years).

Today, Coca-Cola is an excellent low-volatility stock, with a beta (a calculation that compares how closely the stock price follows the market) of just 0.56, making it roughly half as sensitive as the overall market. Couple this with a high-forward dividend yield of 2.78%, and you have a great core portfolio holding, which is exactly why Buffett still holds it.

From 1986 onward, Coca-Cola has beaten the S&P 500 soundly. There are years where it underperforms the index, but during times of crisis (like so far in 2022), Coca-Cola tends to pull ahead strongly.

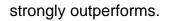


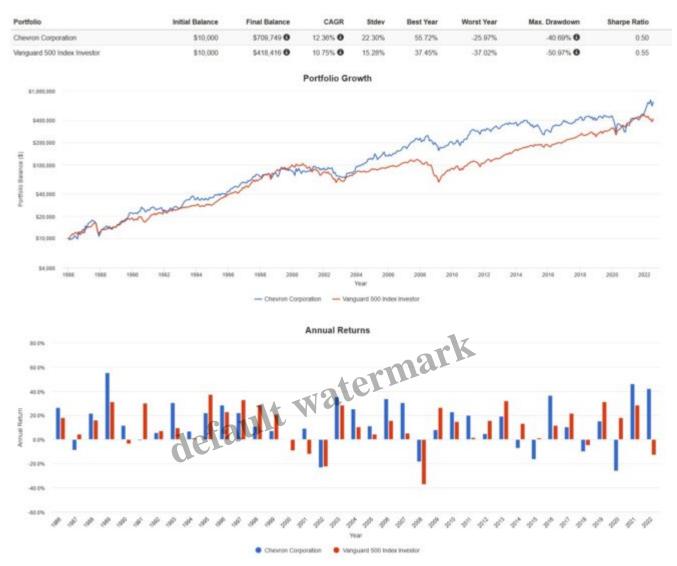
## Chevron

Buffett is a big fan of energy stocks, particulary large-cap ones. In the first quarter of 2022, Buffett disclosed that he increased his stake in **Chevron Corporation** (<u>NYSE:CVX</u>) significantly, from \$4.5 to \$25.9 billion. This bet has paid off handsomely as Chevron shares rallied due to soaring commodity prices.

Another benefit of investing in energy companies is the generous dividend yields. Chevron currently pays a forward annual dividend rate of \$5.68 per share, which works out to a forward annual dividend yield of 3.47%, quite respectable for U.S. stocks.

From 1986 onward, Chevron has eked out a win over the S&P 500, despite periods of underperformance when oil prices tank. However, during times of high inflation (like so far in 2022), Chevron





#### CATEGORY

- 1. Dividend Stocks
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#### **TICKERS GLOBAL**

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- 2. NYSE:KO (The Coca-Cola Company)

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