

# INCOME INVESTORS



## 5 Dividend Stocks to Own Forever

Lombardi

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Can you really find high-yield dividend stocks to hold forever? It might be easy for an investing guru like Warren Buffett to say his favorite holding pattern is forever, but forever is a long time for the average investor.

When you buy a high-yield dividend stock, you need to consider what your long-term horizon is. For starters, you might want to think of “long term” as 15 or 20 years. That’s more than enough time for high-yield dividend growers to make a serious impact on your retirement portfolio.

That’s because large-cap, high-yield dividend growers returned an average of 9.3% annually from 1972 to 2014. That compares with just 2.6% for non-dividend-paying stocks.

In addition to getting both capital appreciation and higher annual dividend yields, if your investing horizon is long term, you don’t need to worry about daily gyrations and short-term volatility. If anything, you can take advantage of the dips.

Admittedly, not all stocks are suitable long-term buys. A dividend stock you’re going to commit to for 15 or 20 years should have some certain characteristics. This includes having a strong balance sheet, one that allows the company to grow and to continue to pay and increase its annual dividend; products and services that are, for the most part, recession-proof; a strong international footprint; and a long-term business strategy.

That might sound like a tall order, but there are a large number of excellent large-cap, high-dividend-yielding stocks that provide investors with considerable annualized returns—the kind of dividend growth stocks that investors like Buffett like to have and to hold forever.

## The Procter & Gamble Company<sup>1</sup>

**Headquarters:** Cincinnati, Ohio

**Listed:** New York Stock Exchange

**Dividend Yield:** 2.4%

With billions of customers in the Americas, Asia, Europe, the Middle East, and Africa, **The Procter & Gamble Company** (NYSE:PG) is a consumer staples juggernaut that has been in business for over 180 years.

The company is focused on five business segments: Beauty, Grooming, Health Care, Fabric and Home Care,

Robert Baillieu is the Editor-in-Chief of *Income Investors*.



In this capacity, he oversees some of the most talented financial editors and analysts in the business, helping readers earn higher yields and better

returns from their portfolios. In a nutshell, Robert’s philosophy is to buy wonderful businesses at a reasonable price and collect a growing stream of dividend income.

Prior to joining the research side of finance and *Income Investors*, Robert was a senior contributor to one of the world’s most widely visited personal finance web sites. Before that, he worked as a risk analyst at TD Energy, a subsidiary of The Toronto-Dominion Bank. When he’s not researching and reporting on the markets, Robert is usually traveling, playing the guitar, or cheering on his beloved Blue Jays.

and Baby, Feminine and Family Care. Some of its most popular brands include “Pampers,” “Always,” “Tampax,” “Bounty,” “Charmin,” “Tide,” “Gain,” “Dawn,” “Cascade,” “Swiffer,” “Pantene,” “Head & Shoulders,” “Olay,” “Gillette,” “Braun,” “Venus,” “Crest,” “Oral-B,” and “Vicks.”

While Procter & Gamble may not be the most exciting stock, it’s a consumer defensive stock that quietly rewards buy-and-hold investors. Since 1978, Procter & Gamble’s share price has advanced over 7,800%.

What’s even better for buy-and-hold investors is Procter & Gamble’s dividend growth. The company currently pays an annual dividend yield of 2.4%. It has raised its annual dividend for the last 62 consecutive years.

The vast majority of investors see the long-term value of holding Procter & Gamble forever. Less than one percent of the company’s shares are shorted.<sup>2</sup>

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## Altria Group, Inc.

**Headquarters:** Richmond, Virginia

**Listed:** New York Stock Exchange

**Dividend Yield:** 6.7%

Sin stocks are not for everyone. But if you don't mind investing in cigarettes and making lots of money, then perhaps **Altria Group, Inc.** (NYSE:MO) should be on your radar.

Altria is one of the world's largest producers and marketers of tobacco, cigarettes, and related products. The company's leading brands include "Marlboro," "Copenhagen," "Skoal," and "Black & Mild." It also produces and sells wine via **Ste. Michelle Wine Estates Ltd.**, a collection of wine estates and maker of "Chateau Ste. Michelle."<sup>3</sup>

Altria is almost the perfect dividend stock to hold forever. The company's ability to generate impressive gains is almost unparalleled among stocks. Since 1990, Altria has delivered total shareholder returns of roughly 2,300%—which is much greater than the return of the S&P 500.

Altria also has one of Wall Street's most impressive dividend growth stories, having increased its annual dividend 53 times in the past 50 years. The company currently pays an annual dividend yield of 6.7%.

## General Mills, Inc.<sup>4</sup>

**Headquarters:** Minneapolis, Minnesota

**Listed:** New York Stock Exchange

**Dividend Yield:** 3.7%

**General Mills, Inc.** (NYSE:GIS) is magically delicious! General Mills is one of the largest food companies in the world, with products found in more than 100 countries. The company categorizes sales into several business segments: North American Retail, Europe and Australia, Asia and Latin America, Convenience Stores and Food-service, Joint Ventures, and Pet.

Several of General Mills' brands hold top-selling market positions, from "Pillsbury" refrigerated dough to "Annie's" organic foods to "Cheerios" and "Lucky

Charms" cereals to "Betty Crocker" dessert mixes to "Häagen-Dazs" ice cream to "Yoplait" dairy product.

Despite being home to some of the world's most recognizable brands, the company has been reshaping its portfolio for growth, focusing its resources on brands and geographic markets with the greatest opportunities. In addition to selling or closing certain international business units, the company has also been acquiring new businesses in an effort to modernize its product portfolio and meet the changing tastes of its growing customer base.

In a tight market, General Mills continues to reward long-term investors. The company's current annual dividend yield is 3.7%. Moreover, General Mills, along with its predecessor firm, has paid dividends without interruption for 119 years.<sup>5</sup> And unless people stop eating cereal, cookies, and ice cream, I expect that tradition to continue for many more years to come.

## Consolidated Edison, Inc.<sup>6</sup>

**Headquarters:** New York, New York

**Listed:** New York Stock Exchange

**Dividend Yield:** 3.4%

**Consolidated Edison, Inc.** (NYSE:ED) helps ensure that New York remains the "city that never sleeps." For well over a century, Consolidated Edison has delivered electricity to metropolitan New York.

Consolidated Edison's principal business segments include **Con Edison of New York, Inc.** with its regulated electric, gas, and steam utility activities; **Orange & Rockland Utilities, Inc.** (O&R) with its regulated electric and gas utility activities; **Con Edison Clean Energy Businesses, Inc.** with its renewable and energy infrastructure projects; and **Con Edison Transmission, Inc.** with its electric and natural gas transmission projects.

Con Edison of New York provides electric service to approximately 3.3 million customers and gas service to approximately 1.1 million customers in New York City and Westchester County. O&R provides electric service to over 300,000 customers in southeastern New

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York and northern New Jersey and gas service to 130,000 customers in southeastern New York.

Thanks to the company's strong performance and the regulated industry in which it operates, Consolidated Edison has been able to put up some impressive numbers.

For buy-and-hold income investors, there are few companies better than Consolidated Edison. The company started paying a dividend in 1885 and it has increased its annual dividend for each of the last 44 years.<sup>7</sup> The company currently pays an annual dividend yield of 3.4%.

### **Welltower Inc.**

**Headquarters:** Toledo, Ohio

**Listed:** New York Stock Exchange

**Dividend Yield:** 4.2%

**Welltower Inc.** (NYSE:WELL) owns and funds seniors' houses, post-acute care facilities, and outpatient medical properties, which have benefited from a graying America.<sup>8</sup>

Over the coming decades, few businesses will likely do better than senior housing. Each day, more than 10,000 Baby Boomers turn 65.<sup>9</sup> And as more people enter their golden years, more of them will need assisted-living arrangements.

Some will opt for retirement communities. On the other side of the spectrum, others will require full-service nursing homes. Others will need something in between.

Regardless, it means there are good times ahead for property owners. Today, the industry needs to build 25,000 units of senior housing per year to keep up with demand. By 2030, analysts project this number will grow almost fourfold to 96,000 per year.<sup>10</sup>

Welltower has positioned itself for the coming boom. The company owns interests in properties concentrated in major, high-growth markets in the United States, Canada, and the United Kingdom.

These investments can be quite lucrative. Welltower has focused on urban centers, where high barriers to entry prevent new competition. Good assisted-living facilities can earn returns superior to those of multifamily or student housing.

Welltower's fund flows from operations (a common measure of profitability in the real estate business) should continue to grow over the next 10 years thanks to acquisitions, rent hikes, and cost-cutting measures.

Since 1993, Welltower stock has delivered a total return of 2,600%, including dividends. It offers an annual dividend yield of 4.2%. And given the property owner's long track record, that payout should grow more or less in line with profits.

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**NYSE:** New York Stock Exchange

**NASDAQ:** NASDAQ Stock Market

**NASDAQ/SC:** NASDAQ Small Cap Market

**OTCBB:** Over-The-Counter Bulletin Board

**TSX:** Toronto Stock Exchange

**TSXV:** Toronto Stock Exchange Venture Exchange