2 Dividend-Growth Stocks I'd Buy With a $10,000 Tax Refund

Description

Canadian investors are starting to receive their tax rebates, and many are wondering what to do with this "found" money.

When the amount is small, say a few hundred dollars, it makes sense to pay off the credit card and maybe take your favourite person out for a nice dinner.

But some people end up with big cheques from the taxman, and the decision becomes a bit more important when you are looking at a number like $10,000.

Assuming the credit cards are cleared off, investors might want to consider using the cash to buy dividend-growth stocks inside their TFSA or RRSP accounts.

Here are the reasons I think **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Fortis Inc.** (TSX:FTS) are solid choices right now.

TransCanada

TransCanada had a rough 2015. The oil rout knocked the snot out of most stocks connected to the energy space, and President Obama's rejection of the Keystone XL pipeline served as an added kick to the guts of TransCanada's shareholders.

The pullback started to get out of control by the end of last year, and bargain hunters swooped in to take advantage of a great opportunity. Fortunately, the stock remains attractive, even after the recent recovery.

Keystone XL is likely dead if the Democrats win this year's election, but a Republican win could put the project back on the table, and the market isn't pricing in that possibility.

Here in Canada, the much larger Energy East project is getting verbal support from the new federal government and, while there is still work to be done to get all the municipal and provincial stakeholders on board, there is a good chance the pipeline will be built.

In the meantime, TransCanada has $13 billion in other projects on the go that will be completed and in service by 2018. These new assets should boost revenue and cash flow enough to ensure dividend hikes of 8-10% per year through 2020.

In addition, TransCanada just sealed a US$13 billion deal to purchase **Columbia Pipeline Group Inc.** in the United States. This gives the company a foothold in the important Utica and Marcellus shale plays and brings another portfolio of commercially secured infrastructure projects.

TransCanada's dividend currently yields 4.3%.

Fortis

Fortis is also expanding its U.S. presence through large acquisitions.

The company purchased Arizona-based UNS Energy for US$4.5 billion in 2014. The integration of the new assets went well and helped drive 2015 earnings to a record $2.11 per share, up 20% over the previous year.

The start up of the company's Waneta hydroelectric expansion in British Columbia also contributed to the gains.

This year, Fortis is swinging for the fence with a US$11.3 billion deal to buy **ITC Holdings Corp.**, the largest independent pure-play transmission company in the United States.

The deal initially scared investors, but the market is more comfortable now that Fortis has sold a 19.9% minority stake in ITC to a sovereign wealth fund.

Fortis gets the majority of its revenue from regulated assets, so cash flow should be predictable and reliable. That's music to the ears of the company's investors, who have enjoyed an increase in the payout every year for more than four decades.

The stock offers a yield of 3.8%.

CATEGORY

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2. Investing

TICKERS GLOBAL

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