# 2 Top Dividend-Growth Stocks for Your TFSA

## Description

In 2009 the Tax-Free Savings Account (TFSA) program began, offering Canadians who are 18 and older the opportunity to set money aside tax free throughout their lifetimes.

Contributions to a TFSA are not deductible when it comes to your taxes, but any amount contributed as well as any income earned in the account, including capital gains, dividends, and interest, is essentially tax free, even when it's withdrawn.



If you don't already have a TFSA, you should strongly consider opening and contributing to one, and if you do already have one, here are two top dividend-growth stocks that you could add to it today.

**1. Fortis Inc.**

**Fortis Inc.** (TSX:FTS) is one of North America's largest utilities companies with over $28 billion in assets. It owns nine utility operations in Canada, the United States, and the Caribbean, including FortisBC, UNS Energy, Central Hudson, and Newfoundland Power, which serve more than three million customers.

It currently pays a quarterly dividend of $0.375 per share, representing $1.50 per share on an annualized basis, which gives its stock a high yield of about 3.5% at today's levels. This yield is also very safe when you consider that its adjusted net earnings totaled $1.13 per share and its dividend payments totaled just $0.75 per share in the first half of 2016, resulting in a rock-solid 66.4% payout ratio.

Investors must also make the following two notes.

First, Fortis has raised its annual dividend payment for 42 consecutive years, the longest record of any public corporation in Canada, and its 10.3% hike in September has it on pace for 2016 to mark the 43rd consecutive year with an increase.

Second, it has a dividend-growth target of 6% annually through 2020, and I think its consistent earnings-per-share growth, including its 3.7% year-over-year increase to $1.13 per share in the first half of 2016, paired with the growth that will come from its acquisition of **ITC Holdings Corp.**, which is expected to close later this year, will allow it to achieve this target and extend it well beyond 2020.

**2. Toromont Industries Inc.**

**Toromont Industries Inc.** (TSX:TIH) is one of Canada's leading suppliers of specialized mobile equipment and industrial engines, providing sales, rental solutions, and comprehensive product support to customers across the country. It's also one of the leading providers of industrial and recreational refrigeration systems in Canada and the United States.

It currently pays a quarterly dividend of $0.18 per share, representing $0.72 per share on an annualized basis, which gives its stock a yield of about 1.8% at today's levels. This yield is also very safe when you consider that its net earnings totaled $0.80 per share and its dividend payments totaled just $0.35 per share in the first half of 2016, resulting in a very conservative 43.8% payout ratio.

Investors must also make the following two notes.

First, Toromont may not have a very high yield, but it has raised its annual dividend payment for 26 consecutive years, the third-longest record of any public corporation in Canada, and its 5.9% hike in February has it on pace for 2016 to mark the 27th consecutive year with an increase.

Second, it has a target dividend-payout range of 30-40% of its net earnings, so I think its consistent growth, including its 9.6% year-over-year increase to $0.80 per share in the first half of 2016, will allow its streak of annual dividend increases to continue for the foreseeable future.



**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:FTS (Fortis Inc.)
2. TSX:TIH (Toromont Industries Ltd.)

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