

Dividend Investors: 2 Stocks to Put on Your TFSA Buy List

Description

Canadian investors are searching for attractive dividend stocks to put in their TFSA portfolios.

Let's take a look at **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) to see why they might be attractive picks.

Fortis

Fortis owns natural gas distribution, power-generation, and electricity-transmission assets in Canada, the United States, and the Caribbean. The company has grown significantly over the years through organic development and strategic acquisitions.

Fortis recently closed its US\$11.3 billion purchase of ITC Holdings Corp., the largest independent transmission company in the United States. Investors were initially nervous about the size of the deal, given the substantial debt being added to the balance sheet, but the market has since become more comfortable.

Why?

Fortis has a strong track record of successfully integrating large acquisitions, and the company brought in a sovereign wealth fund to purchase a 20% stake in ITC, allowing Fortis to maintain its credit rating.

Fortis now has 60% of its assets based in the United States and gets 94% of its revenue from regulated businesses.

Management has raised the dividend every year for more than four decades and expects to increase the payout by at least 6% per year through 2021. This should help offset any negative effects from rising interest rates.

The current distribution yields 4%.

Sun Life

Sun Life took a nasty hit during the Great Recession, but the company has bounced back in a big way.

Management sold off the troublesome U.S. annuities division and has focused new investments in the country on fee-generating businesses. The new unit, Sun Life Investment Management, had \$51 billion under management at the end of the third quarter. The group provides a strong complement to the existing wealth management and insurance pillars.

Sun Life is also expanding its overseas presence with a strong focus on Asia. The company raised its ownership stake this year in partnerships in India, Indonesia, and Vietnam, and purchased a pension business in Hong Kong.

Management began increasing the dividend again last year, and the upward trend should continue as new assets and rising interest rates contribute to earnings growth.

The distribution currently yields 3.25%.

Is one more attractive?

Both stocks are strong buy-and-hold dividend picks for a TFSA.

Earlier in the year I would have given the edge to Sun Life, but the stock has rallied significantly in the wake of the U.S. election, and that has probably wiped out the advantage.

As a result, I would probably pick Fortis today as the first choice. You'll get a higher yield, and the stock is more attractively priced after the recent pullback on rate-hike fears.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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3. TSX:SLF (Sun Life Financial Inc.)

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Author

aswalker

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