



## RRSP Investors: Should You Buy Fortis Inc. or Toronto-Dominion Bank?

### Description

Canadians savers are searching for top quality dividend-growth stocks to add to their self-directed RRSP portfolios.

Let's take a look at **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to see if one is more attractive today.

#### Fortis

Fortis owns electricity transmission, power generation, and natural gas utility assets in Canada, the United States, and the Caribbean.

The company has grown significantly over the years through a mixture of organic projects and strategic acquisitions.

In 2014, Fortis spent US\$4.5 billion to acquire Arizona-based UNS Energy. Last year the company bought Michigan-based ITS Holdings for US\$11.3 billion. Here in Canada, Fortis just announced a deal to buy a two-thirds interest in the Waneta Dam in British Columbia.

All of these new assets are providing revenue and cash flow growth that management says can support dividend increases of at least 6% per year through 2021.

Fortis has raised its payout every year for more than four decades, so investors should feel comfortable with the guidance.

The current dividend provides a yield of 3.6%.

#### TD

TD just reported another quarter of impressive results. Adjusted net income for fiscal Q2 2017 came in at \$2.56 billion compared to \$2.28 billion in the same period last year.

All of the company's business segments continue to perform well, led by an 18% increase in net

income from the U.S. retail operations. Like Fortis, TD has invested heavily in building its U.S. presence, and the bank actually has more branches south of the border than it does in Canada.

What about housing risks?

Bank stocks sold off recently amid concerns about the Canadian housing market.

TD finished fiscal Q2 with \$256 billion in Canadian residential mortgages. Insured loans represent 47% of the portfolio, and the loan-to-value ratio on the rest is 49%. The exposure is large, but house prices would have to correct significantly before TD sees a material hit.

TD has a strong track record of dividend growth. The current distribution provides a yield of 3.8%.

### **Is one more attractive?**

At this point, the decision really depends on your level of comfort with owning the banks in the near to medium term.

TD is widely viewed as the safest bet among its peers, but many pundits think the gravy train is coming to an end for the Canadian banks.

If you think that's the case, Fortis is probably the better choice to make today.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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