Retirees: 2 Top Income Stocks to Buy Now

Description

Canadian pensioners are searching for reliable dividend stocks to put in their TFSA portfolios.

Let’s take a look at **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see why they might be interesting picks today.

Fortis

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

The company has grown over the years through strategic acquisitions, and that trend continues.

Fortis spent US$4.5 billion in 2014 to purchase Arizona-based UNS Energy. Once the integration of the assets was complete, Fortis set its sights on a much larger prize. In 2016, the company acquired Michigan-based ITC Holdings for US$11.3 billion.

The two deals have worked out well, and Fortis expects to raise the dividend by at least 6% per year through 2021 as a result of the improved cash flow.

The company has increased the payout every year for more than four decades, so investors should feel comfortable with the dividend-growth guidance. At the time of writing, the stock provides an annualized yield of 3.6%.

Fortis gets most of its revenue from regulated assets, which means cash flow should be reliable and predictable.

TD

TD is widely viewed as the safest of the Canadian banks.

Why?

The company generates the majority of its earnings from retail banking operations, which tend to be more stable than some of the other banking segments, including capital markets.

In addition, the U.S. operations contribute more than 30% of the profits, so investors have a nice hedge against any weakness that might occur in the Canadian economy.

TD has a long track record of dividend growth, and investors should see the trend continue, as management expects the business to generate earnings-per-share growth of at least 7% over the medium term.

TD pays a quarterly dividend of $0.60 per share for an annualized yield of 3.6%.

Some investors are concerned a pullback in house prices could hit the banks. It’s true that a total meltdown would have an impact, but most analysts predict a gradual decline, and TD’s mortgage portfolio is more than capable of riding out a downturn.

Is one a better bet?

Both stocks should continue to be reliable buy-and-hold income picks for a TFSA portfolio. At this point, I would probably split a new investment between the two companies.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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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