



Canadian Savers: 2 Reliable Dividend Stocks for Your TFSA

Description

Canadians are searching for ways to grow their savings for retirement, and many are turning to dividend stocks to generate better returns.

With interest rates at such low levels, the strategy makes sense, especially when the distributions are invested in news shares. This sets off a compounding process that can turn a modest initial investment into a nice savings fund over time.

When the funds are held inside a TFSA, all of the distributions and capital gains are protected from the taxman, so you can reinvest the full value of the dividends, and when the time come to cash out, all the growth is yours to keep.

Let's take a look at **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) to see why they might be interesting picks.

Fortis

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

The company has grown through strategic acquisitions, with the U.S. being the main focus in recent years.

In 2014, Fortis spent US\$4.5 billion to acquire Arizona-based UNS Energy. Last year, Fortis purchased Michigan-based ITC Holdings for US\$11.3 billion.

The assets are performing well, and Fortis expects to see cash flow grow enough to support annual dividend hikes of at least 6% through 2021.

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

The current payout provides a yield of 3.5%.

Bank of Montreal

Investors often overlook Bank of Montreal in favour of its larger peers, but the stock probably deserves more respect.

Why?

Bank of Montreal has a balanced revenue stream with earnings coming from personal and commercial banking, capital markets, and wealth management activities.

The Canadian operations are best known to investors, but Bank of Montreal also has a strong presence in the United States, with close to 500 branches located primarily in the Midwest.

The U.S. business provides a nice hedge against any downturn in the Canadian economy, and earnings get a boost when the U.S. dollar moves higher against the loonie.

Bank of Montreal has paid a dividend every year since 1829. The current distribution provides a yield of 3.7%.

Is one a better bet?

Both stocks pay growing dividends that should be very safe.

At this point, buy-and-hold investors might want to consider adding a bit of both names to their dividend-focused TFSA portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:FTS (Fortis Inc.)

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