



A Boring Dividend Stock to Hold in Your RRSP for Decades

Description

Canadians are searching for ways to set aside adequate funds for retirement.

One strategy involves owning dividend stocks and investing the distributions in new shares to take advantage of the power of compounding. This is particularly attractive for young investors who have the time to benefit from the process and prefer to simply buy stocks and then forget about them for years.

Let's look at **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) to see why it might be an interesting pick right now.

Growth

Fortis started out as a small power company in in eastern Canada, but that is certainly not the case today.

Over the years, management has expanded the operations, and Fortis now holds assets in the Caribbean and the United States as well as across Canada.

In recent times, the majority of the investment has focused on the United States, including the 2014 purchase of Arizona-based UNS Energy for US\$4.5 billion, and the 2016 acquisition of ITC Holdings for US\$11.3 billion.

The new assets are performing as expected, and Fortis expects cash flow to improve in the medium term.

Fortis recently announced a \$14.5 billion capital plan for the next five years. This is in addition to development projects and other potential strategic acquisitions the company might undertake during that time frame.

The rate base is expected to grow from more than \$27 billion in 2017 to \$32 billion in 2022.

Dividends

Fortis just increased its dividend by 6.25% and plans to raise the payout by at least 6% per year through 2022.

The company has bumped up the distribution every year for more than four decades, so investors should feel confident with the guidance.

Reliable income

Fortis get the majority of its income from regulated assets. That means cash flow should be both predictable and reliable, which is very important for investors who depend on dividends for income or to purchase additional shares.

The company provides natural gas distribution, power generation, and electric transmission services. People need to heat their homes, cook their food, and turn on their lights, regardless of the situation of the broader economy, so Fortis tends to be a stable holding when the market hits a rough patch.

Track record of returns

A \$10,000 investment in Fortis 20 years ago would be worth more than \$100,000 today with the dividends reinvested.

The bottom line

There is no guarantee Fortis will generate the same results over the next two decades, but the company remains a solid pick for investors who want a buy-and-hold stock they don't have to babysit.

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Date

2025/08/26

Date Created

2017/10/27

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