



Is Fortis Inc. a Top Dividend Stock for Long-Term RRSP Savings Growth?

Description

Canadian savers are searching for ways to set aside adequate funds for their retirement years.

One strategy involves owning dividend-growth stocks inside a Registered Retirement Savings Plan (RRSP) and investing the distributions in new shares to tap the power of compounding.

Over time, a modest initial investment can turn into a [significant savings fund](#).

The RRSP is a good option for Canadians who are in higher marginal tax brackets, as the contributions can be used to reduce taxable income. In addition, the RRSP is attractive for people who might be tempted to access the funds if they are invested in a TFSA.

The TFSA doesn't have the withholding rules that are attached to an RRSP.

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

Quality assets

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

The company continues to grow through strategic acquisitions, including last year's US\$11.3 billion purchase of Michigan-based ITC Holdings, and the 2014 takeover of Arizona-based UNS Energy for US\$4.5 billion.

The two deals have made Fortis a major player in the industry, and the U.S. now accounts for the largest part of its revenue base. Both companies are performing according to expectations.

Management just announced an increase to the five-year capital plan from \$13 billion to \$14.5 billion and is targeting a rate-base increase of about \$7 billion over that time frame.

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

Dividend growth

Fortis intends raise its dividend by at least 6% per year through 2022. The company has increased the payout every year for more than four decades, so investors should feel comfortable with the guidance.

At the time of writing, Fortis provides a yield of 3.5%.

Solid returns

Long-term owners of the stock have enjoyed [impressive gains](#). A \$10,000 investment in Fortis 20 years ago would be worth more than \$100,000 today with the dividends reinvested.

Should you buy?

There is no guarantee that Fortis will deliver the same returns over the next two decades, but the stock should continue to be a solid dividend-growth pick for buy-and-hold investors looking to boost their RRSP savings.

In addition, Fortis is an attractive choice for investors who want to get exposure south of border.

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1. Dividend Stocks
2. Investing

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