



TFSA Investors: A Reliable Dividend-Growth Stock to Start 2018

Description

Young Canadian savers are searching for ways to set aside some cash for retirement.

This wasn't always a big concern, but millennials are faced with an employment market that is very different from the one their parents or grandparents entered after they finished school.

Contract work is more common today, and many full-time positions no longer offer generous pension benefits.

In addition, relying on a house to be the retirement piggy bank isn't the guaranteed home run that it has been over the past 30 years. House prices have risen so much, so quickly, there is a real risk a home that is purchased today might not be worth more 20 years from now.

Fortunately, there are other ways to save for the future.

One popular strategy involves owning dividend stocks inside a Tax-Free Savings Account (TFSA) and investing the [distributions](#) in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a respectable nest egg over time.

Let's take 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 businesses in Canada, the United States, and the Caribbean.

The company has grown significantly in recent years through large acquisitions in the United States, including the US\$11.3 billion purchase of Michigan-based ITC Holdings in 2016 and the 2014 takeover of Arizona-based UNS Energy for US\$4.5 billion.

The integration of the assets went well, and the companies are performing as expected.

In addition, Fortis just announced plans to boost its five-year capital plan from \$13 billion to \$14.5

billion. This should help the company increase its rate base to about \$32 billion by 2022.

Dividend growth

Fortis plans to 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 dividend-growth guidance.

At the time of writing, the annualized dividend of \$1.70 per share provides a yield of 3.6%.

Returns

Long-term Fortis investors have enjoyed some impressive gains. In fact, a \$10,000 investment in Fortis 20 years ago would be worth about \$100,000 today with the dividends reinvested.

The bottom line

There is no guarantee Fortis will generate the same returns over the next two decades, but the company should continue to be a reliable [dividend-growth pick](#).

Other quality stocks are also available, and the strategy of owning dividend-growth companies and investing the distributions in new shares is a proven one.

CATEGORY

1. Dividend Stocks
2. Investing

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