2 Buy-and-Hold Canadian Dividend Stocks for Your TFSA in 2018

Description

Canadian investors are searching for top dividend stocks to put inside their TFSA portfolios.

The strategy makes sense for young Canadians who have not yet reached their top salary range. Using the TFSA to start a retirement fund allows millennials to reserve RRSP contribution room for the coming years when they will likely be in a higher tax bracket.

Retirees can also take advantage of the TFSA to earn tax-free income to complement their pension payments.

Which stocks should you buy?

The best companies tend to have long track records of dividend growth supported by rising earnings.

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.

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, with the biggest investments occurring in the United States. Fortis spent US$4.5 billion in 2014 to acquire Arizona-based UNS Energy and bought Michigan-based ITC Holdings in 2016.

Management says the assets are performing as expected, and Fortis intends to raise the 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, the stock provides a yield of 3.8%.

TD

TD has also spent billions to build up its U.S. presence, with a branch network that now runs from Maine all the way down to Florida. In fact, TD operates more branches in the United States than it does in Canada.

The U.S. business generates more than 30% of TD's net income, so the American operations provide a nice hedge against any potential weakness in the Canadian economy.

Rising interest rates could put pressure on some homeowners in the coming years, but TD's mortgage portfolio is capable of riding out a downturn in the housing sector.

On the whole, higher interest rates tend to be a net benefit for the banks.

TD's compound annual dividend-growth rate is about 10% over the past 20 years, and investors should see the distribution continue to rise in step with earnings growth.

The stock currently provides a yield of 3.2%.

Is one a better bet?

Both stocks are reliable dividend-growth picks and give investors nice exposure to the United States. At this point, I would probably split a new investment between the two companies.

Young investors can invest the distributions in new shares to take advantage of the power of compounding. Retirees can watch the return they get on the initial investment rise with each dividend increase.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
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Date
2025/08/24
Date Created
2018/01/07
Author
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