Is Royal Bank of Canada or Fortis Inc. Better for Your TFSA Nest Egg?

Description

Canadian investors are increasingly responsible for funding their own retirement.

This wasn't always needed in the past, as most people found good jobs right out of school and stayed with the same company for the bulk of their careers. Once they had their numbers, they simply packed it in and started collecting a nice pension.

Today, things are different. Many grads start out working on contract, and when a full-time job comes along, the pension benefits can vary significantly.

In addition, it is now common for people to change careers several times during their working lives, including stints that allow them to be self-employed. This is great for exploring your passion, but it can have a negative impact on pension benefits.

As a result, Canadians are setting up their own pension plans, and using the TFSA is a popular option.

Let's take a look at two dividend stocks that might be attractive picks today.

Royal Bank of Canada (TSX:RY)(NYSE:RY)

Royal Bank generated $11.5 billion in net income in fiscal 2017, representing a cool $1 billion gain on the 2016 results.

The company's balanced revenue base is a big reason for the strong numbers, with steady growth across the business lines.

Royal Bank spent US$5 billion in late 2015 to acquire City National, a California-based private and commercial bank. The deal was a big move back into the U.S. market for Royal Bank and positions the company for an expansion of its presence in the sector.

The bank has a strong track record of dividend growth, and that trend should continue. The current payout provides and annualized yield of 3.5%.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

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

The U.S. has been the largest area of growth for the company in recent years. Fortis spent US$4.5 billion in 2014 to acquire Arizona-based UNS Energy and then dropped US$11.3 billion in 2016 to buy Michigan-based ITC Holdings.

The assets are performing as expected, and the new revenue streams are supporting steady dividend growth.

Fortis plans to raise the payout by at least 6% per year through 2022. The company has increased the distribution 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 3.9%.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for a TFSA retirement portfolio. Royal Bank is poised to benefit from rising interest rates, while Fortis provides good exposure to the U.S. and tends to hold up well when the broader market hits a speed bump.

As a result, I would probably split a new investment between the two stocks today.

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