2 Top Dividend Stocks You Should Keep in Your TFSA Forever

Description

Investing through your Tax-Free Savings Account (TFSA) is a great way to build your nest egg. Two important factors that will power your TFSA portfolio is your investment horizon and your ability to hold on to stocks.

Tax-sheltered saving incentives are designed to promote a long-term saving culture. Investors who buy and hold income-producing stocks inside their TFSAs reap the benefits of a compounding process, which quickly multiplies their wealth.

Buying dividend stocks and re-investing the distribution back into the portfolio to buy more shares is a successful, time-tested strategy. Here are two top dividend stocks you can buy and hold for the next 20 or 30 years due to their solid and growing dividends.

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

default watermark

Fortis is a popular stock for retirees and long-term investors due to its stable earnings, rock-solid dividend, and growing operations.

St. John's-based Fortis has $48 billion in assets with a good geographical diversification. The company provides electricity and gas to 3.2 million customers in the U.S., Canada, and Caribbean. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

When picking a stock for your income portfolio, it's very important to pick the ones with the potential to grow their dividends over time. More dividends mean you'll be able to re-invest more to buy more shares and multiply your wealth quickly.

With a 3.9% dividend yield and about 6% expected growth in its annual dividend payouts through 2022, Fortis stock fulfills this basic requirement. With growing dividends, you also need stability in your return. And Fortis hasn't done badly on this metric either. The company has increased its dividend payout for 43 consecutive years — a record very few companies can match.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

Just like power and gas utilities, Canadian banks are very generous dividend payers. Each year, they distribute between 40% and 50% of their net income in dividend payouts. Due to their income stability and dividend growth, TFSA investors should consider adding a couple of top bank names to their portfolios.

Among Canadian banks, TD Bank stands out due to its very strong retail presence in both Canada and the U.S. In fact, TD has more branches south of the border than it has in Canada, giving its income nice diversification and strength.

With both U.S. and Canadian economies expanding, TD is well positioned to benefit and grow its income. TD Bank's dividend is solid. It currently pays a 3.24% dividend yield. This dividend has grown about 10% on annualized basis in the past two decades, putting the lender among the top dividend payers in Canada.

And with a relatively safe payout ratio of between 40% and 50%, there is a good chance that investors will continue to get this growth going forward.

Trading at $74.05 and with the trailing price-to-earnings ratio of 13.53, TD stock doesn't look cheap. But the bank has rarely disappointed its investors in the past. During the past five years, TD Bank has delivered 77% total returns, including capital gains and dividends.

The bottom line

The buy-and-hold investing approach works well for TFSA investors who are starting to build their retirement portfolios. With an investment horizon spanning over 20-30 years, you'll likely see many ups and downs, but successful investors will be the ones who hold on to their picks.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

default watermark

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/07/05
Date Created
2018/01/29

Author
hanwar

default watermark

default watermark