



New Investors: A Top Dividend Stock to Launch Your TFSA Pension Fund Today

Description

Young Canadians are often encouraged to start setting cash aside for their [golden years](#) as soon as possible.

The idea of retirement might not be top of mind for people who are in the beginning stages of their careers, but starting the savings process now can make a huge difference in the amount of funds available down the road.

One popular savings tool is the Tax-Free Savings Account (TFSA).

Any Canadian resident who was at least 18 years old in 2009 can contribute up to \$57,500 in a TFSA. That's ample room to begin building a nice [pension portfolio](#).

When dividend stocks are held inside the TFSA, the full value of the distributions can be invested in new shares. This sets off a powerful compounding process that could turn a modest initial investment into a nice nest egg over the course of two or three decades.

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

Fortis

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

The company gets the majority of its revenue from regulated assets, which means cash flow should be reliable and predictable.

Fortis made two large acquisitions in the U.S. in recent years, and the businesses are performing as expected. In addition, Fortis has \$14.5 billion slated for capital projects over the next five years.

As a result, management sees cash flow increasing enough to support annual dividend increases of at least 6% through 2022.

The company has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance.

The recent pullback in the equities market is giving investors an attractive opportunity to pick up Fortis at a reasonable price. At the time of writing, the stock is \$41 per share, down from \$48 in November.

Fortis now provides a 4% yield, with strong dividend-growth prospects on the horizon.

Long-term investors have done well with this stock. A \$10,000 investment in Fortis 20 years ago would be worth more than \$70,000 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 strategy of buying top dividend-growth stocks and investing the distributions in new shares is a proven one.

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1. Dividend Stocks
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Author

aswalker

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