Young TFSA Investors: A Top Canadian Dividend Stock to Start Your Retirement Fund

Description

Canadians are searching for reliable dividend-growth stocks to add to their TFSA portfolios.

The strategy makes sense, especially when the distributions are invested in new shares to take advantage of the compounding effect. Over time, a modest initial investment can become a substantial nest egg to finance the golden years.

The great thing about the TFSA is the fact that all the earnings generated inside the vehicle are tax-free. Investors don't have to hand over part of the dividends to the taxman, and any increase in the stock price goes straight into your pocket when you sell.

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

Growth

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 organic projects and strategic acquisitions, with the largest deals taking place in the U.S. market. Fortis bought Arizona-based UNS Energy in 2014 for US$4.5 billion and acquired Michigan-based ITC Holdings for US$11.3 billion in 2016.

The new assets are performing as expected and provide opportunities for organic growth, including the ITC Lake Erie Connector project and a storage development project in Arizona. Fortis is also evaluating a gas infrastructure opportunity at FortisBC.

In addition, Fortis is working through a five-year $15.1 billion capital program that will boost the rate base to $33 billion.

Dividends

Management says the new investments should generate adequate revenue and cash flow growth 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.

At the time of writing, the stock provides a yield of 4%.

Earnings

Fortis reported strong Q1 results with net earnings coming in at $323 million, or $0.77 per share, compared to $294 million, or $0.72 per common share, for the same period in 2017.

Returns

Long-term investors have enjoyed some impressive returns. A $10,000 investment in Fortis 20 years ago would be worth about $80,000 today with the dividends reinvested.

The bottom line

There is no guarantee Fortis will generate the same results over the next two decades, but the stock remains an attractive pick for a dividend-focused TFSA. Fortis tends to hold up well when the broader market hits a speed bump, so it serves as a good buy-and-forget pick to start your portfolio.

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Date

2025/09/09
Date Created
2018/05/24
Author
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