

Is it Time to Put Fortis Inc. (TSX:FTS) in Your RRSP?

Description

Canadian savers are searching for ways to set aside adequate funds to support a comfortable [retirement](#).

One part of the retirement-planning strategy involves owning dividend-growth stocks inside a self-directed RRSP and using the distributions to acquire new shares. Over time, the process can turn a relatively small initial investment into a large nest egg.

Contributions to the RRSP also reduce taxable income, giving investors a chance to keep more of their hard-earned money while the purchasing power is strong. These contributions are taxed when removed from the RRSP, but that is likely to be decades down the road when the same dollar buys less, and with a bit of planning, your marginal tax rate should be lower.

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

Growth

Fortis owns natural gas distribution, power generation, and electric transmission businesses in Canada, the Caribbean, and the United States. The company made two major acquisitions in recent years and has a large capital program in place.

The purchase of Arizona-based UNS Energy in 2014 for US\$4.5 billion and the US\$11.3 billion takeover of Michigan-based ITC Holdings in 2016 have worked out well and altered the business mix to the point where the U.S. is now home to roughly 60% of the company's assets. This provides a nice way for investors to get solid U.S. exposure through a Canadian company.

In addition, Fortis has a \$15.1 billion five-year capital plan that is expected to boost the rate base to \$33 billion. Management is also eyeing organic growth, including gas infrastructure opportunities at FortisBC and the ITC Lake Erie Connector Project.

Dividends

Management anticipates revenue and cash flow will grow enough to support annual dividend increases of at least 6% through 2022. Fortis 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 dividend provides a [yield](#) of 4%.

Returns

Buy-and-hold investors have done well with this stock. A \$10,000 investment in Fortis just 20 years ago would be worth more than \$75,000 today with the dividends reinvested.

Should you buy?

There is no guarantee Fortis will generate the same results over the next two decades, but the company should continue to be a solid dividend pick for self-directed RRSP investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/26

Date Created

2018/06/04

Author

aswalker

default watermark

default watermark