



## This Dividend Stock Has Great Appeal for TFSA Investors

### Description

Stability in income and reasonable growth are the two top qualities you should look for if you're buying stocks through your Tax-Free Savings Account (TFSA) with the aim of building your saving portfolio.

That means you should focus on the companies that offer basic services that are crucial to run our daily lives. In this category, power and gas utilities, telecom operators, and insurance companies top the list. St. John's-based **Fortis Inc.** ([TSX:FTS](#)) ([NYSE:FTS](#)) is one of these stocks that I highly recommend for your TFSA.

Fortis is one of the 15 largest utilities in North America, with over \$49 billion in assets. The utility has [well-diversified](#) asset base, operating in the U.S., Canada and the Caribbean.

Fortis provides electricity and gas to 3.2 million customers. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

The utility's growth accelerated after its 2016 acquisition of ITC Holdings Corp. in US\$11.3 billion deal. The deal not only allowed Fortis to expand to several new U.S. state markets, but also helped the utility to broaden its network of transmission lines.

### Interest rate threat

Rising interest rates that pushed the bond yields higher in 2018 have been the biggest drag on utility stocks. But due to its strong balance sheet, robust pipeline of growth projects and very attractive dividend policy, the company has been among the best performing utility stocks over the past six months.

At a time when the general markets took a nosedive over growth concerns and the U.S.-China trade war, Fortis stocks delivered quite handsome returns. During the past three months, its stock has gained about 11% when the **S&P/TSX Composite Index** fell about 8%.

Going forward, Fortis is well positioned to continue with its growth trajectory as it pursues a \$14.5 billion capital-spending plan for the next five years.

That plan is composed mostly of a diversified mix of low-risk projects and is fully funded through debt raised at the utilities, cash from operations, and common equity from the company's dividend-reinvestment plan.

Due to steady growth in its earnings, Fortis' annual dividend has increased for 44 consecutive years. The stock, which currently yields 3.87% with an annual payout of \$1.80 a share, aims to continue raising its dividend at an average annual rate of about 6% through 2023.

### Bottom line

At \$47.07 at the time of writing, Fortis stock is trading close to the analysts' 12-month price target of \$48 a share. But I see further gains if the economic environment worsens, forcing the Bank of Canada to stop its rate-hiking cycle.

If you're a TFSA buy-and-hold investor, including Fortis stock in your portfolio is a good idea to earn steadily growing income.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

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1. NYSE:FTS (Fortis Inc.)
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