

## 3 Utility Stocks to Generate Growing Tax-Free Income in Your TFSA

### Description

Ever wished you could earn steady money from your investments without worrying about stock prices?

It's something that many investors dream about. With the potential for high returns comes high risk. On the other hand, if you dip into safe, interest-bearing investments, the land of low-single digit returns beckons.

Sure, you can buy blue chip dividend stocks—which offer both income and returns. But with even the crème de la crème dividend payers only yielding 4% or so, it's hard to get excited about them. There's also the option of dipping into the ultra-high yield range. But ultra-high yield dividend stocks have a nasty track record of having their dividends cut, which means that chasing after a 10% yield is just as risky as buying high-beta growth stocks, but with a fraction of the upside.

But if you're seeking high income and safety in one package, you needn't give up. There are some great options for generating solid income in your TFSA—the only catch being that you need to sit on your investments a few years for the payouts to rise.

I'm talking about utility stocks. Yes, those boring, stale old things. While utility stocks are far from sexy, they have some of the best dividend growth rates available. Although most are only yielding 4% today, they can easily pay double what they're offering now in five to 10 years. Here are three of the best on the TSX.

#### **Fortis Inc** ([TSX:FTS](#))([NYSE:FTS](#))

Fortis has the distinction of having the longest continuous dividend raising streak on the TSX. At [45 years](#), it has a proven track record. It's also no slouch when it comes to historical returns, having gained about 50% over the past five years. Fortis currently yields about 4%, and management expects to grow the dividend at 6% a year for the foreseeable future.

#### **Algonquin Power & Utilities Corp** ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin Power & Utilities Corp is a utility that serves Ontario and parts of the U.S. Having grown earnings at 34% in its most recent quarter, it's growing faster than the average utility. The stock also has a 4.9% yield along with a stellar 16.5% five-year annualized dividend growth rate. If you're looking for a utility stock with a high yield AND high growth potential, look no further than Algonquin.

#### **Emera Inc** ([TSX:EMA](#))

Emera is a [Halifax-based utility](#) with a long-term track record and steady income. According to its website, it has raised its dividend every year since 1992. With a 5.10% yield, it's the biggest yielder on this list right now. And with strong earnings growth and a 10.2% annual dividend growth rate, you can count on those payouts to keep climbing higher and higher.

## Foolish takeaway

Dividend stocks are among the wisest investments a part-time investor can make. With steady income comes a reduced need to fret over stock prices, and the potential for irrational decisions that comes with that. And if you can find a stock with a high yield plus growth? You're laughing. Utilities are currently among the best TSX stocks for growing, tax-free TFSA income.

## CATEGORY

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

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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3. TSX:AQN (Algonquin Power & Utilities Corp.)
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