Is Fortis Inc. (TSX:FTS) the Best Stock to Start Your TFSA Retirement Portfolio?

Description

Young Canadians are searching for ways to set some serious cash aside for their golden years, and many are using the TFSA to help them meet their goals.

Why?

Retirement planning has always been a core part of personal and family financial management, but that is becoming more important as the employment world changes. Generous defined-benefit pensions are becoming harder to find, and many people are choosing to be self-employed as contract workers rather than sign up with the same company for 30 years.

The RRSP has been a useful savings tool for decades and is still an important part of the mix, especially for people who are in the higher marginal tax brackets. However, younger Canadians that still have their highest-income years ahead of them might be best served to use the TFSA contribution room first.

The TFSA provides more flexibility that the RRSP and all of the income and capital gains are protected from the tax authorities. This has important implications for a portfolio that grows over the course of a few decades, as the total size of the fund required to meet retirement needs would not have to be as large as it would in the RRSP, which is taxed when the money is removed.

Which stocks should you buy?

The best companies tend to have strong track records of dividend growth supported by rising revenue and income. Let's take a look at one stock that might be an interesting pick to get the TFSA retirement fund started.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis is a utility company with power generation, electric transmission, and natural gas distribution assets in Canada, the United States, and the Caribbean.

The business has traditionally grown through a combination of strategic acquisitions and organic projects, and that trend continues. The current $17.3 billion capital program should drive enough rate-base growth to support the company's target of raising the dividend by at least 6% per year over through 2023. Fortis has increased the distribution for 45 straight years, so investors should be reasonably comfortable with the guidance.

The majority of the revenue comes from regulated assets, meaning cash flow should be relatively predictable and reliable. Beyond the current investment program, management is eyeing growth opportunities across the portfolio and investors could see additional acquisitions as the utility industry consolidates.

Long-term holders of the stock have enjoyed strong returns. A $10,000 investment in Fortis 20 years ago would be worth about $110,000 today with the dividends reinvested.

The current dividend provides a yield of 3.6%.

Should you buy the stock?

There is no guarantee Fortis will deliver the same results over the next two decades, but the stock remains an attractive pick and should be a solid choice to start a buy-and-hold TFSA retirement portfolio.

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