Why Bank of Montreal (TSX:BMO) and Fortis Inc. (TSX:FTS) Are Top TFSA Income Portfolio Stocks

Description

Income investors are taking advantage of the tax-free benefits of their TFSA to boost their earnings.

The great thing about the TFSA is the fact that all interest, dividends, and capital gains generated by investments held in the account are 100% yours to keep. That's right, the tax authorities can't take any of the money you have earned, which isn't the case with taxable accounts.

The maximum TFSA contribution room is now up to $63,500 for any Canadian resident who was at least 18 years old in 2009. That's large enough for savers to start generating some decent income on their investments, and one popular option is to hold reliable dividend stocks inside the TFSA portfolio.

Let's take a look at two companies that might be interesting picks today.

Bank of Montreal (TSX:BMO)(NYSE:BMO)

Bank of Montreal paid its first dividend way back in 1829 and has since handed out a piece of the profits to shareholders every year.

As Canada's fourth-largest bank, Bank of Montreal might not get the same attention as its larger peers, but the company has some attractive qualities that make it worth considering right now. Bank of Montreal has a balanced revenue stream with strong operations in the personal and commercial banking, wealth management, and capital markets segments. The bank also has a long-standing presence in the United States with more than 500 branches serving clients primarily located in the Midwest.

On the risk side, Bank of Montreal's relative exposure to the Canadian housing market is lower than some of the other banks.

The bank raises the dividend at a steady rate and the current payout provides a yield of 3.8%.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis operates natural gas distribution businesses, power generation facilities, and electric transmission assets in Canada, the United States, and the Caribbean.

The company has grown significantly over the years through strategic acquisitions and organic projects. Currently, Fortis is working on a five-year capital plan that will see the company invest more than $17 billion. The impact should be a strong boost to the rate base, which is expected to provide adequate cash flow growth to support the targeted dividend increases of 6% per year.

Fortis has raised the dividend every year for more than four decades, so investors should be comfortable with the guidance. The stock tends to hold up well when the broader equity market undergoes a rough patch, primarily due to the fact that most of the company's revenue comes from regulated assets.

Investors who buy today can pick up a yield of 3.6%.

The bottom line

Bank of Montreal and Fortis should continue to be solid buy-and-hold picks for a dividend-focused TFSA. If you have some cash sitting on the sidelines, these companies deserve to be on your radar.

Other lesser-known TSX Index stocks are also worth considering today, especially if you are searching for contrarian picks to boost the potential capital gains opportunities in your growth portfolio.

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