TFSA Investors: 1 Top Low Beta Stock to Buy Now

Description

Volatility is a good thing when you're a short-term trader, but increased asset price volatility during retirement can be a very unsettling risk at a time when you look to your nest egg to help cover daily living and health expenses.

This is why proven, low-risk, dividend-paying stocks are one of the best investment options, especially at a time when bonds yields remain depressed.

The risk of an individual stock can be measured by how volatile the share price has historically been relative to the broader equity market. In our case, the equity market is represented by the **S&P/TSX Composite Index.** This measure of individual issuer risk is called beta.

If a stock's price swings perfectly in sync with the broader market, the stock's beta is equal to 1.0. If the ticker tends to swing much higher or lower than the broad equity market index, then its beta will be much higher than 1.0, implying an elevated share price risk and a greater degree of uncertainty about the stock's valuation, relative to TSX.

As retirement draws near, you need stocks that don't go as wild as the main S&P/TSX Composite, and this means looking for stocks that have a beta lower than 1.0. Your portfolio risk will thus be lower, and you can sleep much better at night knowing that some essential expenses can be covered from your investment portfolio with relative certainty.

Here's one top investment candidate you could consider for your next RRSP or TFSA contribution.

The mighty Fortis

Fortis Inc. (TSX:FTS)(NYSE:FTS) is one of North America's largest regulated electricity and gas industry players with $52 billion worth of assets and a resilient transmission and distribution business model. The company is set to enjoy a steady organic growth over the next five years, thanks to a recently upsized capital investment plan.

The stock has a very low beta of 0.086, making it one of the least volatile tickers on the TSX and one of the safest high-quality dividend-paying stocks in Canada.

The company pays a quarterly dividend that currently yields a respectable 3.4%. This well-covered payout has been increased consistently for the past 46 years. It was increased by 6.1% recently, and management has announced a commitment to increase it by 6% every year until 2024.

With an investment in Fortis, your income could potentially be protected during recessions, and you could reasonably expect an increase in the yield even during economic downturns.

That's not all.

I would expect a steady capital gain on the stock as management has increased the company's five-year capital investment plan by $1 billion to $18.3 billion between 2020 and 2024. This is expected to increase the company's consolidated rate base by 37%, from $28 billion in 2019 to $38.4 billion by 2024.

Fortis is a beautiful issuer, and management is keen to keep it future-proof, as seen in its September announcement of action plans to decrease greenhouse gas emissions and increase renewable energy.

As far as environmental, social, and governance (ESG) factors are concerned, Fortis is making strides to remain relevant to an investor community that is increasingly concerned about a corporation's carbon footprint, making it a stock of the future, and I like that.

You could like it too.

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