Why This 4% Dividend Could Be the Ideal Investment for Your TFSA

Description

TFSA investors looking for dividend stocks to add to their portfolios have a lot of options to choose from. From high-yielding stocks to growth stocks to those that have fallen in value and are now on sale, there are plenty of strategies investors could take today.

Whether investors choose to go for a mix of growth and dividends or focus on low volatility stocks, many important factors should be taken into account when making an investment decision.

That's why choosing the right stock to invest in can become a bit overwhelming. A stock like **Fortis Inc** (TSX:FTS)(NYSE:FTS) is a prime example of a dividend stock that ticks off a lot of the boxes for investors.

Not only does the company currently pay a decent dividend of around 3.5%, but it has also increased its payouts for years and it's one of the best dividend growth stocks on the TSX for investors to own.

Fortis has also grown via acquisition over the years, which is evidenced by its steady climb in revenues, which have risen from $6.7 billion in 2015 to $8.4 billion in 2018, an increase of 25% during that time. Profits have looked even better, growing by 45% over the same period. Why This 4% Dividend Could Be the Ideal Investment for Your TFSA

But as strong as those numbers have been, Fortis has had negative free cash flow of $819 million over the past four quarters while it has paid out $532 million in dividends. Fortis is a relatively safe dividend stock to own and yet there's still some risk there for investors, albeit not large.

However, that's where holding shares of just one dividend stock can leave investors exposed. And that's where an ETF could be a much safer option for investors. The **BMO Equal Weight REITs Index ETF** (TSX:ZRE) is a much more diverse option that gives investors a mix of real estate investment trusts (REITs) that pay some attractive yields.

The ETF is currently paying shareholders a little over 4% per year in dividends, making it a higher-yielding option than Fortis.

Not only has the fund provided some attractive payouts, but it's has also risen by more than 22% this year. With a variety of REITs in its portfolio and the largest one making up just over 5% of the fund's assets, investors have many dividend stocks from which to earn income.

What makes REITs particularly attractive is their stability. In addition to a lot of recurring rental income being earned by REITs, making them very safe buys, they can also take advantage of rising real estate value and a strong economy that could push rent prices higher.

While investors may be concerned about the Canadian economy, many REITs also provide exposure to other parts of the world. **Dream Global Real Estate Investment Trust,** for instance, is the top holding in the ETF with many properties in Europe.

Bottom line

In order to help balance stability with dividends, investors may be better off investing in an ETF like BMO Equal Weight REITs, which can simplify the decision-making process for investors while giving them the ability to earn a good dividend in the process.

For investors that don't want to invest in REITs, the good news is that there are many other ETFs to choose from that can be suitable for other investing strategies.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:ZRE (BMO Equal Weight REITs Index ETF)

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