TFSA Income Investors: 2 Reliable Dividend Stocks to Own for 30 Years

Description

Canadian retirees and other income investors are turning to dividend stocks as a way to generate additional income.

Holding the shares inside a Tax-Free Savings Account (TFSA) is becoming popular, especially with the cumulative contribution room now at $69,500 per person. That gives couples as much as $139,000 in TFSA space to create an income stream that isn't counted towards net world income, which the CRA uses to determine potential OAS clawbacks.

The best stocks to own tend to be ones with long track records of reliable dividend payments supported by rising revenue and profits.

Let's take a look at two companies that might be interesting picks to get your TFSA income fund started.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is about as steady as it gets when it comes to finding a solid Canadian dividend stock. The bank began paying its first dividend in 1829 and has given investors a piece of the profit every year since, including through all the financial turbulence that has hit the markets in the past 190 years.

That's an impressive run and should continue for decades.

Bank of Montreal has a balanced revenue stream coming from retail banking, commercial banking, wealth management, and capital markets activities. The Canadian operations generate the majority of the income but BMO also has a large U.S. group that helps offset any potential downturn in the Canadian economy.

BMO is well capitalized and has the capacity to make strategic acquisitions when attractive opportunities become available.

At time of writing, the stock trades at a reasonable 11.7 times trailing earnings and provides a 4.2% dividend yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with more than $50 billion in assets located in the U.S., Canada, and the Caribbean. The operations include power generation, electric transmission, and natural gas distribution businesses with regulated revenue streams.

This means cash flow should be predictable, which is great for income investors.

Growth comes from acquisitions and internal development projects. Fortis is currently working through a five-year plan that will see it invest $18.3 billion. The new assets are expected to boost the rate base enough to support annual dividend hikes of about 6% through 2024.

The guidance should be reliable as Fortis has increased its dividend for 46 straight years.

As with BMO, Fortis gives investors good access to the U.S. through a Canadian company. This is helpful for adding diversification in the portfolio.

Fortis has a low beta, meaning the stock price tends to be less volatile than the broader market. People and businesses will use electricity regardless of the state of global financial markets, making Fortis a steady stock to own when the economy hits a rough patch.

The trend toward lower interest rates and falling bond yields should be positive for the stock. Fortis uses debt to finance projects and this helps lower borrowing costs.

Investors who buy today can pick up a 3.5% yield.

The bottom line

BMO and Fortis are proven dividend stocks that pay reliable and growing distributions.

If you are searching for anchor holdings to start a TFSA income portfolio, these stocks deserve to be on your radar.

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1. Bank Stocks
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2. NYSE:FTS (Fortis Inc.)
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Date
2025/07/20
Date Created
2020/01/09
Author
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