TFSA Investors: 1 Dividend-Growth Stock Could Help You Grow Rich

Description

Perhaps one of the most anxiety-inducing aspects of being an investor trying to capitalize on the potential of stock markets is uncertainty. Any uncertainty in global trade, geopolitical situations, or various other factors can fuel volatility in the stock market.

If things are really bad, the volatility can severely harm your potential income. While the trade disputes and recession fears are easing off, for now, we are not out of the woods yet. You might want to consider taking on a more defensive stance for your investment portfolio in these uncertain times.

What if I could tell you about a stock that can offer you significant insulation against volatility while offering you growth in passive income through increasing dividends?

A defensive TFSA stock with growth potential

I am going to discuss the **Canadian Utilities** (TSX:CU) stock. It is known for being a defensive option, but it also offers decent dividend yield and growth potential.

There are a few sectors capable of weathering the storm of challenging economic times better than others. Utilities enjoy a defensive reputation due to the nature of the industry. No matter how challenging things get, there will always be a demand to keep electricity and gas running.

To this end, Canada Utilities could be an attractive pick for investors. It has a strong dividend profile to boast. At writing, the stock offers shareholders a dividend yield of 4.28% trading for $40.71 per share. Its dividend yield is higher than its five-year average yield of 3.7%.

CU could be a fantastic pick due to its dividend growth. Canada Utilities has increased its dividends for the past 47 years. In the past five years, CU's dividends increased by 10% compounded annually for the period. Its remarkable dividend-growth streak can help grow your returns over the long term.

Stable income and dividends

Utilities operators typically generate stable earnings due to the increasing demand for services. Even amid the rising debt crisis and an alarming debt-to-income ratio, the need for its services make it less volatile. Large regulated operations and long-term contracts offer it further insulation from market volatility.

The company offers its services internationally, operating mainly in the domestic market, Australia, and Mexico. The stock is trading for 19 times its estimated earnings at writing. Based on CU's historical valuation, the stock is trading at a fair value.

Foolish takeaway

I do not think that Canada Utilities might attract a lot of investors because it does not exhibit short-term growth potential. As a defensive stock held long-term in your TFSA, I think you can enjoy substantial returns.

With increasing fears of the impact of the coronavirus, residual trade tensions between the U.S. and China, as well as the U.S. re-elections, there can be further volatility in the near future. I think defensive options like Canadian Utilities could shield your TFSA and help increase your passive income moving forward.

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1. TSX:CU (Canadian Utilities Limited)

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Date
2025/08/25
Date Created
2020/02/12

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