A Top Canadian Dividend Stock to Help You Sleep at Night During a Market Correction

Description

Equity markets are witnessing a new period of volatility, which has TFSA investors wondering which stocks are the best to buy or own when the **TSX Index** crashes.

Amid times of market panic, a broad-based plunge tends to hit the share prices of most companies. Investors dump everything and move to cash, GICs, or government bonds.

History suggests the opposite move might be the way to go, however. Market crashes have always proven to be great opportunities to put cash to work.

Buying when everyone is selling takes courage, and there is a good chance the share price will fall below your entry point in the near term. However, buying reliable dividend stocks that are relatively insulated from chaos in global financial markets can deliver strong returns and sill allow you to get some sleep.

Let's take a look at one **TSX Index** dividend stock that tends to be an attractive pick during a stock market correction.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is trading at $54.50 per share at the time of writing compared to roughly $59 earlier this week. The stock is still well above the $47 it traded at a year ago.

Fortis is a utility company with power generation, electric transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean. Most of the revenue comes from regulated assets, meaning that cash flow is generally predictable and reliable.

Households still need to turn on the lights and cook food regardless of the state of the economy. As a result, Fortis tends to be a good pick for investors seeking recession-resistant stocks.

In fact, Fortis could benefit from falling interest rates and declining bond yields. The company uses debt to fund its capital projects and cheaper borrowing costs can make more cash available for distributions.

Fortis is currently working through a capital program worth $18.3 billion that's expected to increase the rate base significantly over the next few years. The company said that this should boost cash flow enough to support average annual dividend increases of about 6% through 2024.

That's pretty good guidance amid uncertain times, and investors should feel comfortable with the outlook. Fortis has raised the payout in each of the past 46 years. The current payout provides a 3.5% yield.

Additional investment opportunities are being evaluated across the $50 billion asset base, and new project announcements should be expected in the coming years.

Acquisitions are also part of the growth strategy. Fortis spent more than US$15 billion on purchases in the United States in recent years, and more could be on the way as consolidation in the North American utility sector continues and cheap debt makes deals easier to fund.

Long-term investors have done well with this stock. A $10,000 investment in Fortis 20 years ago would be worth more than $160,000 today with the dividends invested.

The bottom line

Stock market crashes give buy-and-hold Tax-Free Savings Account (TFSA) investors an opportunity to buy great dividend stocks at cheap prices. The dips also result in dividends being able to acquire more shares, which helps drive long-term returns.

If you have some cash on the sidelines and are searching for a reliable dividend stock to add to your portfolio, Fortis deserves to be on your radar.

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