Here’s a Recurring and Secure Income Stream

Description

Despite the volatility of the market, there is one quote from Warren Buffett that I keep turning back to: “Be fearful when others are greedy and greedy when others are fearful.” Those are wise words, but they are often dismissive towards income investors who seek a recurring and safe income stream.

In other words, investors should focus on opportunities to buy low rather than reacting to losses. Fortunately, the market is full of safe dividend stocks that will excel, even in the current environment. One such investment is **Fortis** (TSX:FTS)(NYSE:FTS).

This dividend is safe — and not just for now

Fortis will always be near the top of a list of great investments with recurring and secure income streams. There are several good reasons for that claim. First, Fortis provides a necessary service to the communities that it serves. Fortis maintains regulated long-term contracts that set out the duration and compensation for providing that service.

In short, as long as Fortis keeps the power running, the company will continue to realize that recurring stream of revenue. That defensive business is only augmented further by Fortis’s massive size; it serves 3.3 million customers. The company has over $53 billion in assets with facilities across Canada, the U.S., and the Caribbean.

That healthy recurring and secure stream of revenue helps fund Fortis’s dividend, which is what income-seeking investors will love. Fortis currently offers an attractive 4.11% yield that has seen consecutive annual upticks for over four decades. The most recent uptick took effect in the payout last November, and Fortis continues to plan for further annual hikes.

Investors contemplating how far Fortis could drop should take a look back at how the company fared in the 2008 recession. During that prolonged pullback, Fortis retreated just 15%, while other stocks saw losses of 50% or greater. By way of comparison, Fortis has dipped over 20% in the past month, while the **TSX Composite** has fallen near 35% in the same period. Since the Great Recession, Fortis has seen its stock surge over 70% (including this most recent market crash).

How to balance a defensive investment with a turbulent market

When the market was closing at record highs a few weeks ago, most investors were not thinking about defensive investments such as Fortis. Part of the reason for that was that Fortis and other utilities gained a reputation as being “boring” investment options. The reason for that stereotype is the recurring and secure stream of revenue — which investors are now chasing.

In short, the belief was that the safe nature of the business left little incentive for growth, which was only compounded by the attractive dividend.

In reality, that couldn’t be further from the truth. Fortis has taken an aggressive stance to expansion in recent years, reaching out to new markets with each acquisition. Those acquisitions continue to feed further growth and Fortis’s dividend, making the utility one of the best long-term investments in this volatile market.

Additionally, Fortis has earmarked $18 billion as part of a five-year capital growth program, which will drive even further growth.

What should investors do? In my opinion, buy it, hold it, and, most importantly, *don’t panic*. The lights are still on, Fortis’s dividend is secure, and this too shall pass.

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