A Top TFSA Stock to Buy and Hold in Your Dividend Portfolio

Description

Investors using their Tax-Free Savings Accounts (TFSAs) to generate savings and long-term wealth are confused in this current market environment.

They are not sure if this is the right to buy top TFSA stocks when the dangers to the economy are great and the coronavirus continues to play havoc with our daily lives.

In this uncertain environment, there is no easy answer to this question. Many strategists still see more downside after markets in North America made the fastest recovery from a bear market in history.

According to **Bank of America**, the market comeback is too narrow for this to be the start of a real bull market. The current market rebound is a "bear market rally, not a real bull," until distressed equities rally alongside beloved stocks.

As countries slowly open up after lockdowns, there is risk of a second wave that could again force the countries to implement shelter-in-place measures.

Despite all the gloom and uncertainty, one thing is clear: the top-quality dividend stocks are a lot cheaper than they were last year, and they offer a great opportunity to TFSA investors to build their income-producing portfolios.

TFSA investors should focus on the companies that provide basic and essential services and whose revenues are not volatile, such as power and gas utilities.

TFSA stocks to buy

One such TFSA stock to buy is **Fortis** (TSX:FTS)(NYSE:FTS), which is outperforming the general market in the current downturn. This year, FTS stock is down just 4% compared with a 15% decline in the **S&P/TSX Composite Index**.

The reason for this strength is that the utility is considered a top defensive stock due to the company's diversified assets, highly regulated earnings, and $18.8 billion capital plan that faces little risk.

St. John's-based Fortis has a diversified asset base, providing electricity and gas to 3.2 million customers in the U.S., Canada, and in Caribbean countries. Its U.S. operations account for about 60% of its regulated earnings, while the rest comes from its Canadian and Caribbean operations.

With more than $18 billion worth of projects in the pipeline, there is a good possibility that Fortis will continue to show strong earnings, especially when interest rates remain quite low to fund that growth.

Growing dividends

If you're buying Fortis stock for your TFSA, it's one of the best stocks among the Canadian utilities. With a 3.7% dividend yield and about 6% expected growth in its annual dividend payouts through 2023, Fortis holds strong appeal for TFSA investors.

Between 2006 and 2020, Fortis's annual distribution increased from $0.67 to $1.91 a share, a very impressive track record of rewarding investors. If interest rates remain at a rock-bottom level going forward, it will further strengthen the case for utility stocks.

Bottom line

Trading around $51.52 a share at the time of writing, Fortis stock has more room to the upside, as more investors seek safety in top dividend stocks during this economic downturn. For these reasons, it's a good time to stash this quality TFSA stock in your portfolio.

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