



## Canadian Utilities (TSX:CU): Buy and Hold This Dividend Aristocrat for Your TFSA

### Description

Dividend investing is a popular strategy [for multiple reasons](#). Investors can benefit from a regular stream of dividend income as well as capital appreciation over time. Investing in dividend stocks can be a great approach for TFSA (Tax-Free Savings Account) holders, as both capital gains and dividend withdrawals from this registered account are exempt from taxes.

The TFSA contribution limit for 2020 stands at \$6,000, while the cumulative contribution room is \$69,500. You can purchase quality dividend stocks with this available capital and generate income or continue to build wealth by reinvesting these payouts.

Generally, dividend-paying stocks are some of the safest to own. They need to keep generating cash flows to sustain dividend payouts across business and economic cycles. We'll look at one of Canada's largest companies, which is also a Dividend Aristocrat, for your TFSA portfolio.

### A look at growth potential in dividend stocks

**Canadian Utilities** ([TSX:CU](#)) is a diversified global energy infrastructure company that delivers essential services in utilities, energy infrastructure, and retail energy verticals. Canadian Utilities stock is trading at \$33, which indicates a dividend yield of 5.3%.

So, if you invest \$10,000 in this account, you can generate \$530 in annual dividend payments. Canadian Utilities is a Dividend Aristocrat. It has increased dividends every year since 1972 and has generated massive wealth for long-term shareholders.

For example, if you'd invested \$10,000 in CU stock back in 2000, you could have bought 1,081 shares. Your investment would have ballooned to \$35,600 today excluding dividends. CU stock paid dividends of \$0.45 per share back in 2000, which means you would have generated \$486.5 in dividend payouts that year.

Comparatively, these annual dividend payments would have risen to \$595 in 2005, \$816 in 2010,

\$1,276 in 2015, and \$1,882 in 2020. This means your dividend yield has increased from 4.86% in 2000 to a massive 18.8% in 2020 due to dividend increases.

Canadian Utilities has the longest record of dividend increases compared to any other publicly traded Canadian company, and there is no reason why this streak cannot continue.

## Canadian Utilities has \$20 billion in assets

CU generates 95% of sales from regulated utilities, while the rest come from contracted assets. Canadian Utilities has over \$20 billion in assets with 75,000 km in powerlines and 64,000 km in pipelines.

Its primary business is to deliver electricity to customers and the demand for electricity is generally stable year over year. Even during the financial downturn of 2008-09, [energy demand was down](#) by just a couple of percentage points.

Canadian Utilities's rate-regulated business model ensures low volatility, making it a top bet during these uncertain times. The company's steady rate base growth coupled with its cost efficiencies has enabled it to increase dividends consistently.

In the last 20 years, Canadian Utilities stock has increased by 6.6% annually while dividends have grown by 7%. If we continue to consider the \$10,000 investment in this stock and historical growth rates, your investment will rise to over \$50,000 in 20 years after accounting for dividend re-investments.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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4. Newscred
5. Sharewise
6. Yahoo CA

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