TFSA Investors: Should You Buy Fortis (TSX:FTS) or Toronto-Dominion Bank (TSX:TD) for Dividend Income?

Description

Dividend stocks are the anchors to a TFSA portfolio. That's no surprise, as they provide very valuable tax-free income. This income can serve to supplement employment income or as part of a retiree's retirement income. Top dividend stocks, like **Fortis** (TSX:FTS)(NYSE:FTS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) also provide predictability and long-term wealth creation.

If you're looking for meaningful dividend income, rest assured. At Motley Fool, we are looking for the same thing. Without further ado, let's uncover the better stock to buy for your TFSA.

Fortis stock: Providing steady dividend income for decades

Fortis is a North American leader in the regulated gas and electric utility industry. A key benefit of this industry is that it is regulated. For Fortis, this means that the vast majority of its revenue is stable, predictable, and highly visible. It is what has enabled the company to remain highly reliable for its investors.

The reliability has come through in many ways, including the company's long history of dividend increases. In fact, Fortis has 46 years of consecutive dividend increases under its belt. The company remains committed to an average annual dividend growth guidance of 6% until 2024. Today, Fortis provides TFSA investors with a tax-free 3.57% dividend yield.

Fortis is the company that keeps the lights on and the heat on. It keeps us connected around the world, powering our laptops and televisions. It is no wonder that this stock has been an anchor for TFSA investors. Looking ahead, I would definitely recommend Fortis for any TFSA portfolio. It will reward you with an invaluable dividend income stream for years to come.

As you can see, Fortis is certainly a stellar stock pick for dividend income. Here at Motley Fool, we have often highlighted Fortis's value for TFSA investors.

Toronto-Dominion Bank stock: Providing a generous 5% yield for TFSA investors today

Toronto-Dominion Bank is Canada's second-largest bank. It is a top-quality franchise that benefits from a diversified business mix and North American scale. This is all underpinned by a strong risk culture and its industry-leading return on equity (ROE).

But TD Bank is not as predictable and stable as Fortis. Banks are the pulse of an economy. Therefore, they are vulnerable to economic shifts. So far in this COVID-19 crisis, Toronto-Dominion Bank has recorded massive provisions for credit losses. Canadian banks are facing the real possibility of mounting credit losses. The effects of the COVID-19 pandemic and the resulting shutdowns will be huge.

But that's okay, because there is upside to this. Today, TFSA investors are compensated for this added volatility and risk. TD Bank's 5% dividend yield reflects these risks and is a reward for investors. TD Bank stock is offering strong value at these levels.

Toronto-Dominion Bank stock is trading approximately 17% lower than pre-crisis levels. This reflects the financial hit that the bank is taking. But it also reflects the confidence that investors have in the bank. Significant unemployment and credit issues have only just begun to hit the Canadian economy. Toronto-Dominion Bank will hold its own through this crisis, as it has done in past crisis.

Motley Fool: The bottom line

The bottom line here is that both of these stocks are great additions to your TFSA. Fortis stock is a great addition for its smooth and steady dividend. And Toronto-Dominion Bank stock is a great addition for its crisis-level yield and valuation. Both will survive and both will create long-term wealth for TFSA investors.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/09/10
Date Created
2020/08/18
Author
karenjennifer