Got $2,000? 1 Dividend Stock to Hold Forever

Description

In late 2019, I'd discussed why it was a big mistake to sit on cash in your Tax-Free Savings Account (TFSA) for the long term. Canadians who save consistently are already ahead of the game when you look at the average citizen.

However, this hard work and commitment can go to waste when that saved cash isn't put in action. Today, I want to look at a hypothetical wherein we'll spend $2,000 on one of my favourite dividend stocks.

Why Fortis is a dividend stock to trust forever

Yes, we're going to zero in on **Fortis** (TSX:FTS)(NYSE:FTS) again. This St. John's-based utility holding company has increased 1.4% in 2020 as of close on August 24. Companies that offer essential services have been a solid hold this year. North American stocks have surged into the late summer. The economy is still in turmoil, and a bitter election south of the border may shake things up on the markets before this year comes to an end.

Because of this, some investors may want to seek out stability in their portfolios. As far as dividend stocks go, Fortis is the cream of the crop. Last month, I'd discussed why it was on track to become a dividend king this decade. That means Fortis will have achieved at least 50 consecutive years of dividend growth. It last increased its quarterly dividend to $0.4775 per share. This represents a 3.6% yield.

Dividend growth: Why is it important?

As it stands today, there are no dividend kings on the **TSX**. Dividend kings on the **S&P 500 Composite Index** are some of the most sought-after income-generating equities. Stocks that have achieved long dividend-growth streaks are traditionally mature and stable. These dividend stocks are worth trusting for decades.

Dividend kings on the S&P 500 tend to be companies that require no introduction. **Lowe's**, **Coca-Cola**, and **Procter & Gamble** are just a few that have become household names. While utilities are not the most exciting sector available to investors, they are renowned for their stability and reliability. Fortis was able to provide consistent service during the worst days of the COVID-19 pandemic.

Fortis: Looking at the dividend stock today

Shares of Fortis last possessed a price-to-earnings ratio of 19 and a price-to-book value of 1.3, putting the dividend stock in favourable value territory relative to industry peers. Earnings are projected to post solid growth largely due to Fortis' aggressive capital plan. It aims to significantly expand its rate base into 2024.

A $2,000 investment in Fortis would net investors roughly 37 shares, which gives us a little bit of cash leftover. In a TFSA, these shares would pay out $17 on a quarterly basis. This works out to $70 in tax-free income on an annual basis. Fortis has been a model of consistency over the past decade.

It may not offer the capital growth of super tech stocks like **Shopify**, but investors are still getting gains along with stable income. This is a way better option that sitting on cash and receiving the paltry interest that is offered by most savings accounts right now.

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