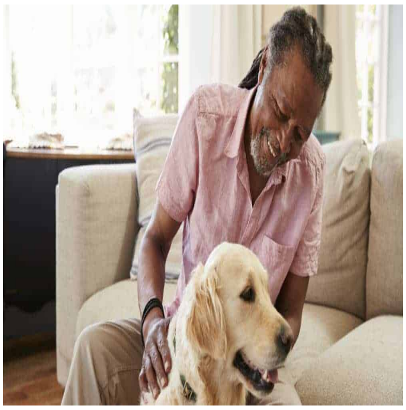

Why Fortis (TSX:FTS) Is a Retiree’s Dream Stock

Description

Reliable dividend stocks are a crucial ingredient of every healthy retirement portfolio. And if the dividend stock is also an aristocrat, that’s just the cherry on top. But even though pure dividend stocks have their place (especially if you wish to turn them into income-producing assets in retirement), dividend stocks that offer modest capital growth potential should be preferred for healthier overall returns.

Another characteristic that you should look for in dividend stocks you are considering for your retirement portfolio is the long-term prospects of the business you are investing in. Knowing the answers to questions (for example, will the business remain relevant and profitable in the next few decades?) can help you select the ideal candidate.

One stock that combines all the characteristics of a retiree’s dream stock is **Fortis** (TSX:FTS)(NYSE:FTS).

Preservation of capital

One of the investment characteristics retirees are most concerned with is the preservation of capital. Most retirees have a low-risk appetite and are more concerned about the preservation of capital than above-average returns. But again, there is no use picking a stock (or another investment asset) that *only* offers preservation of capital and almost nothing else.

The capital preservation aspect of Fortis is tied to its business, utilities, as well as its impressive international presence. Fortis has operations in 10 countries, including Canada and the United States. It has 10 companies to its name, each with its own utility network and service territory.

One of its companies, Caribbean Utilities, is the sole provider of transmission and distribution in Grand Cayman, and it’s also invested heavily in the electrical power generation in the region.

Its competitive edge in the areas it operates combined with an evergreen business of utilities make Fortis one of the safest companies to invest your retirement capital in.

Decent return potential

Fortis has been growing its dividend for 47 consecutive years, and it's the second-oldest aristocrat on the TSX. The company is quite close to becoming a Dividend King by U.S. standards — a title awarded to companies that grow their dividends for 50 consecutive years.

This endorses the safety of its returns. The 3.85% dividend yield is quite decent, and if you wait for the stock to drop further before buying, you might be able to lock in an even more attractive yield. The 10-year CAGR of 9.5% (which also factors in the dividends) promises modest but sizeable capital gains, enough to outpace inflation without leveraging the dividends.

And the payouts will keep growing. Even a small growth in yearly payouts can help you maintain a dividend-based passive income that might be able to outpace inflation (that's different from capital appreciation).

Foolish takeaway

From its business model to its presence and history (both dividend and capital growth), there are several reasons why Fortis is a retiree's dream stock, but that's not its limit. Fortis is a powerful stock, even if you are decades away from your retirement. It's a safe dividend stock that can help anchor your portfolio during market fluctuations and crashes. That's one of the reasons it's always recommended to beginner investors.

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Date
2025/06/30
Date Created
2021/10/08
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