



TFSA Investors: Steady Utility Stocks to Buy Now and Cash In for Life

Description

Stock market investing can be an exciting way to become wealthy, but it takes time and discipline to grow your wealth as an investor. The ongoing volatility in the stock market clearly shows how much risk stock market investing can entail.

As of this writing, the **S&P/TSX Composite Index** is down by 9.18% from its 52-week high but up by 10.06% from its July 14, 2022, level, and there's no telling how the next few weeks will fare for the stock market.

With tons of uncertainty and the possibility of a recession on the horizon, it's necessary to make adequate defensive investments to protect your investment capital. Buying and holding defensive stocks in a [Tax-Free Savings Account](#) (TFSA) can be an excellent way to achieve long-term wealth growth and balance your portfolio to mitigate losses during market downturns.

Utility businesses are the pillar of stability in the stock market. Choosing the right utility businesses and investing in their shares can be an ideal way to fortify your investment portfolio. Today, I will discuss two utility stocks you can add to your TFSA portfolio for this purpose.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a \$28.39 billion market capitalization utility holdings company that owns and operates several natural gas and electricity utility businesses across Canada, the U.S., the Caribbean, and Central America.

The company generates almost its entire revenue through highly rate-regulated and long-term, contracted assets. It generates predictable cash flows its management can use to comfortably fund capital programs and grow shareholder dividends.

As of this writing, Fortis stock trades for \$59.31 per share and boasts a 3.61% dividend yield. It is one of the most reliable dividend stocks on the **TSX** right now. The "Canadian Dividend Aristocrat" has been increasing shareholder dividends for the last 48 years, and it looks well positioned to continue doing

that for the next few years.

The essential nature of its services virtually guarantees stable and predictable cash flows for years. It could be an excellent foundational investment in a TFSA portfolio.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is a \$12.61 billion market capitalization Canadian regulated utility conglomerate. The company owns and operates regulated assets diversified across North America.

Its utility business gives Algonquin the stable cash flows necessary to qualify as a defensive stock. Unlike many other utility businesses, Algonquin also owns an extensive portfolio of renewable energy assets that give it significant growth potential.

As of this writing, Algonquin stock trades for \$18.60 per share and boasts a juicy 4.96% dividend yield. [ESG investing](#) is becoming increasingly popular as the world slowly moves toward a greener future. With 70% of its operations in its utility segment, you can rely on the company as a defensive asset.

Additionally, its utility segment gives you a ton of long-term growth potential. It could be an excellent investment to buy and hold in a TFSA for tax-free wealth growth.

Foolish takeaway

Investing in relatively safer and reliable dividend stocks is an excellent way to use the contribution room in a TFSA. You can use the dividend income to line your account balance with extra cash that can grow without incurring taxes to supplement your monthly income.

If you don't need the money immediately, you can reinvest the shareholder dividends to add more shares of dividend stocks to your portfolio. Reinvesting the dividends can help you unlock the power of compounding to accelerate your long-term wealth growth.

Fortis stock and Algonquin stock can be excellent investments for this purpose.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
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