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

Description

The non-tax-deductible features of the Tax-Free Savings Account (TFSA) makes it the best investment vehicle for Canadians to save money and secure their financial futures. You become an instant investor if hold income-producing assets like bonds, mutual funds, GICs, ETFs, and stocks in the unique savings account.

Many TFSA users prefer to hold stocks for higher returns and faster tax-free money growth. However, a TFSA is safe and secure, only if you hold equally safe stocks in it. No sector in the **TSX** is immune from market volatility, although the utility sector is perhaps the most defensive.

Canadian Utilities (TSX:CU) and **Fortis** (TSX:FTS)(NYSE:FTS) are not only steady utility stocks but are also dividend growers. The two companies beat the rest of the 1,906 available investment prospects on the TSX in terms of dividend-growth streaks. Canadian Utilities is a bona fide Dividend King for raising its dividend for 50 consecutive years. Fortis will likely achieve the prestigious status in 2023.

The TSX's only Dividend King

Canadian Utilities, an **ATCO** subsidiary, owns regulated electric and gas distribution and transmission assets. The core business units of this $10.87 billion company are electricity, pipelines & liquids, and retail energy. It serves customers in Canada (94%), Australia (5%), and Latin America (1%).

Cash flows are predictable because about 86% of its earnings come from regulated sources. Long-term contracted assets support the remaining 14%. The current share price is $40.43 (+14.1% year to date), while the dividend yield is an attractive 4.41%. Your 2022 TFSA annual limit of $6,000 will generate $264.60 in tax-free passive income ($66.15 every quarter).

Management is also gearing up to lead the transition to clean energy. The coming projects of Canadian Utilities include hydrogen, renewable natural gas, and renewable electricity generation.

Next in line

Fortis operates in North America (five U.S. states and nine Canadian provinces) and in three Caribbean countries. The $27.21 billion electric and gas utility company has 10 utility companies under its wings, where 99% of the assets are regulated. Some market analysts say there's slow growth in utilities, but the long-term regular cash flow of Fortis should compensate, especially during high inflation.

This top-notch utility stock is two years shy of achieving Dividend King status. A dividend hike this year will mark 49 consecutive years of dividend increases. Fortis plans to increase the dividend by an average of 6% annually through 2025. Management said the $20 billion five-year capital (2022 to 2026) should enable a 6% rate base growth and raise the mid-year rate base to $41.6 billion by 2026.

More importantly, the largest capital plan in the company's history should support earnings and help management achieve its dividend-growth guidance. The current share price of $56.85 (-4.36% year to date) is a good entry point. You can partake of the decent 3.76% dividend yield.

Cash in for life

Canadian Utilities and Fortis are ideal core holdings or cornerstones in a TFSA, because the businesses are recession resistant. While you can't expect much from capital gains or price appreciation, the dividend payments are rock steady, consistent, and growing. You can buy either one now, hold in your TFSA, and cash in for life.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/20
Date Created
2022/09/24
Author
cliew