TFSA Investors: 2 TSX Stocks With Unbelievable Staying Power

Description

Tax-Free Savings Account (TFSA) investors want to protect their capital and earn decent returns on their investments tax free. What's considered a decent return? The Canadian stock market is a good gauge for Canadian investors. The Canadian stock market, using the **iShares S&P/TSX 60** Index exchange-traded fund as a proxy, delivered annualized returns of 7.9% over the last decade.

This doesn't seem like much when the inflation rate year over year in the last three months were between 7% and 8.1%. If you're invested in the Canadian stock market, it means you'd be roughly maintaining your purchasing power.

It's important to point out that high inflation normally don't last for a prolong period of time, because the Bank of Canada will do its job to curb inflation. So far, June's 8.1% inflation rate is the peak. And we seem to be in a new period of disinflation where the inflation rate is declining.

At the moment, inflation is still relatively high versus the Bank of Canada's target inflation of about 2%. Therefore, interest rates are expected to continue rising, with the next hike expected on October 26.

In this environment, it'd be prudent for TFSA investors to stick with TSX stocks with staying power. Here are a couple of stocks you can rely on for decent returns for long-term investment.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock outperformed the Canadian stock market with returns of 9.4% per year over the last 10 years. Moreover, it has a low beta. This implies it's lower risk.

Absolutely, Fortis has staying power. It has paid dividends every year since 1966. Soon after, it actually began *raising* its dividend every year. This consistent growth component allowed it to beat market returns over the long term. For reference, Fortis's 10-year dividend-growth rate is 5.9%.

It has a multi-year low-risk capital plan to grow its rate base by approximately 6% annually through 2026. Almost two-thirds of the projects are in distribution and transmission, which align with the focus of these defensive assets in its current portfolio. Management targets average dividend growth of 6% per year through 2025.

As a regulated utility, its returns and earnings are fairly stable and predictable. This is why it still trades at a premium multiple of about 20.8 times blended earnings at $56.19 per share at writing.

The safe dividend stock yields 3.8%, but assuming a dividend hike this month, according to its usual schedule, its forward yield would be just over 4%.

BNS stock

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) also has staying power. It has a track record of paying dividends every year since 1833! It also trades at a relatively big discount versus the other big Canadian bank stocks. Therefore, it offers a larger initial dividend yield of almost 6%. The dividend is protected by a sustainable payout ratio.

The bank stock's juicy yield can help Canadian investors to immediately counter high inflation. Based on the latest inflation rate of 7%, investors only need to get price appreciation of about 1% per year to maintain purchasing power. Historically, BNS has done better by increasing its earnings per share by over 5% per year in the last decade.

A recession would trigger a temporary setback in BNS stock. For TFSA investors looking for a big portion of stable returns from passive income, it'd be a good idea to accumulate BNS stock on weakness.

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