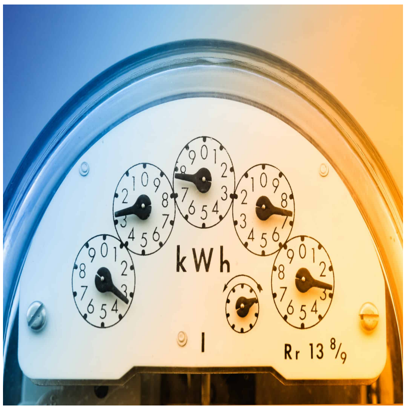

TFSA Investors: 3 Safe Utility Stocks to Buy and Hold for Decades

Description

Come January 2023, Canadian investors will be able to contribute a new $6,500 to their Tax-Free Savings Account (TFSA). That is a nice $500 boost over 2022's contribution of $6,000. Any opportunity you can invest without tax consequence is an opportunity to maximize long-term investment returns.

Given how challenging 2022 has been, investing in some safe utility stocks might be attractive for relatively low-risk TFSA passive income. Utilities are a great place for steady dividend returns, especially if you have a long investment horizon. Here are three top utilities to spend some fresh TFSA cash on in the new year.

Growth and defence for your TFSA

If you want to own a diversified portfolio of defensive utility-like assets, **Brookfield Infrastructure Partners** (TSX:BIP.UN) has to be on your radar. With a market cap of $23 billion, it has assets that span across utilities, energy infrastructure, transportation, and data. Around 90% of these assets have long-term, contracted cash flows and 70% benefit from inflation-indexed earnings.

This sets this TFSA stock up for defence and offence. For the past five years, it has grown revenues and adjusted funds from operation (AFFO) per unit by 29% and 12.7%, respectively. You'll be hard pressed finding other utilities growing at that pace.

Brookfield's debt is modest at 5.5 times net debt-to-EBITDA (earnings before interest, taxes, depreciation, and amortization), and most debt is long-dated. This TFSA stock has a 13-year history of consecutively increasing its dividend and should keep growing it by a high single-digit rate. Today, it has a modest dividend yield of 3.89%.

A utility with a long growth trajectory

With a market cap of $9.2 billion, **Northland Power** (TSX:NPI) is a growing renewable power company. It operates three gigawatts (GW) of offshore and onshore renewable wind and solar power projects in Canada, the U.S., South/Central America, and Europe. A majority of these have long-term contracts with investment or government-grade counter parties.

Right now, it has 3.2 GW that are in construction or advanced development. It has flagged 14 GW for its longer-term development pipeline. For the past five years, this TFSA stock has grown revenues and EBITDA by 12% and 13%, respectively. Right now, it targets 7-10% annual EBITDA growth from now until 2027.

Northland has a net debt-to-EBITDA ratio of 3.29 times, which is below most peers. It has not grown its dividend recently, as it has mostly re-invested profits to grow its project backlog. It does pay a 3.14% dividend yield today.

A rock-solid utility for a defensive TFSA portfolio

If you want a rock-solid utility with a leading dividend-growth track record, **Fortis** (TSX:FTS) is worth a decade-long hold in your TFSA. The electrification of society means the electricity grid must also grow. With a market cap of $25 billion, Fortis is one of the largest regulated power transmission and distribution utilities.

Fortis is not fast growing. However, it has steadily expanded revenues and earnings per share by 4.6% and 3.8%, respectively. It has grown its dividend by a 6% compound annual growth rate (CAGR) in that time. It has consecutively increased its dividend for 49-years, a very impressive track record.

Fortis has a $22 billion capital growth plan and hopes to grow its annual earnings and dividends by a 4-6% CAGR. Fortis has a net debt-to-EBITDA ratio of 6.7, which is somewhat high. However, it is long dated (+10 years) with no immediate major maturities. It pays a 4.2% dividend right now.

CATEGORY

1. Dividend Stocks
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2. TSX:FTS (Fortis Inc.)
3. TSX:NPI (Northland Power Inc.)

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