



TFSA Investors: 2 Canadian Utility Stocks to Buy and Hold Forever

Description

As January 2023 fast approaches, Canadian investors will have an additional \$6,500 of contribution room available to them in their [Tax-Free Savings Accounts](#) (TFSAs). After the boost of \$6,000 for 2022, the total TFSA contribution room stands at \$81,500.

After the addition, it will reach \$88,000. With more room for tax-free wealth growth in your TFSA being made available soon, it is time to consider how to use it.

2022 has been a year of economic uncertainty, resulting in unusually volatile stock market conditions this year. As of this writing, the **S&P/TSX Composite Index** is down by 8.4% year to date. The downturn in the Canadian benchmark index reflects that of the broader market. However, TFSA investors with a long-term view should not worry about the current volatility.

Picking defensive businesses with the ability to introduce [stability](#) and reliable long-term growth to your portfolio can be a smart way to use the additional contribution room. To this end, I will discuss two Canadian utility stocks that can be ideal for this purpose.

Fortis

Fortis Inc. ([TSX:FTS](#)) is a \$26.5 billion market capitalization pillar of stability on the **TSX**. A utility holdings company that generates most of its revenue through highly rate-regulated and long-term contracted assets, Fortis stock is a reliable long-term investment for many.

With cash flows secured and virtually predictable, unsurprisingly, Fortis is also one of the top Canadian Dividend Aristocrats to consider.

Boasting almost 50 years of annual dividend hikes, Fortis is a dividend stock of the highest order. However, the macroeconomic factors impacting the entire stock market have not spared even the most stable utility businesses in terms of share price performance.

Due to a business model relying heavily on taking on heavy debt loads and therefore impacted by key

interest rate hikes, Fortis stock has seen its performance decline this year. However, the business is well-capitalized enough to ride the wave and become stronger on the other side. As of this writing, Fortis stock trades for \$55.06 per share and boasts a juicy 4.10% dividend yield.

Northland Power

Northland Power Inc. ([TSX:NPI](#)) can be an ideal stock to consider if you seek reliability alongside significant long-term wealth growth potential. The Toronto-based \$9.6 billion market capitalization company develops, builds, owns, and operates renewable power infrastructure worldwide.

Operating a portfolio generating 3.2 gigawatts (GW) of power through several renewable power facilities in Canada, the US, South America, Central America, and Europe, Northland Power also enjoys the comforts of long-term contracts with government- or investment-grade counterparties.

The company plans to expand its portfolio to gradually generate 14 GW of power. With several projects in the development pipeline, Northland Power will become even more of a powerhouse than it is in the growing renewable energy industry.

The company is currently reinvesting its profits to grow its project backlog. However, that does not mean it does not offer dividend payouts at all. As of this writing, Northland Power stock trades for \$38.94 per share and boasts a 3.08% dividend yield.

Foolish takeaway

There are several ways you can use the additional TFSA contribution room in 2023. When the broader market situation is better, it might make sense to allocate some of the contribution room to high-growth stocks. This way, you can capture tax-free wealth growth through capital gains. However, it is essential not to forget about balancing your portfolio to mitigate losses during downturns.

Fortis and Northland Power are publicly traded companies offering long-term wealth growth and short- to medium-term stability for TFSA holders. Allocating some of the contribution room to hold Fortis stock and Northland Power stock can be a great way to go.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

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