TFSA Investors: The Perfect Buy-and-Forget Stock to Hold for Decades!

Description

Over the past few weeks, there's been a lot of excitement surrounding some risky, speculative investments lacking a whole lot of substance. While you can make money trying to guess where a stock will go in the coming days or weeks, you can also lose quite a bit if you're wrong. Rather than get caught up in all that hype and speculation and having to check on your investments every minute, you're better off focusing on the long term. There's one underrated stock that can be a perfect option to put into your Tax-Free Savings Account (TFSA) right now.

A top stock to hold with a great yield

Among the most appealing dividend stocks out there is **Canadian Utilities Limited** (TSX:CU). While it doesn't have the notoriety that a popular stock like **Fortis** does, that's also why it may be an appealing and underrated buy. In the past 12 months, its share price has fallen more than 22%, while Fortis has declined by just 12%. With the decline in price, Canadian Utilities is now paying a dividend yield of 5.4%.

By comparison, Fortis is paying a much more modest 3.9%. It's a sizeable difference and on a $25,000 investment, you would be earning about $375 more in dividend income (annually) by investing in Canadian Utilities than in Fortis.

Both stocks also have solid reputations for increasing their payouts over the years, having done so for more than 40 years in a row. With another dividend increase in 2022, Canadian Utilities' streak will hit the 50-year mark. It's as stable of a payout you can find on the **TSX** that can generate significant cash flow for your portfolio for many years.

Double-digit margins are the norm

Another sign of a great company is that it consistently generates strong profits, and Canadian Utilities does that with ease. Revenue growth is great but long-term investors want to be able to know that a stock can do well in good times and bad. Utility companies like Fortis and Canadian Utilities are recession-proof investments because they can count on recurring revenue and without a lot of need for capital, they can enjoy predictable and strong profits for a long time.

Over the past four quarters, Canadian Utilities has generated net income totaling $474 million — 14.5% of its top line. And that's down from 2019 where its net margin was 24.9%. In 2018, the company banked 15.2% of revenue as profit. While there will be fluctuations from year to year depending on weather, which is the main factor that will dictate demand, over the long term this is a stock that should post pretty solid numbers.

Bottom line

Inside TFSAs, dividend stocks are incredibly valuable since all the income you earn from an investment is tax-free. Over the years, all that compounding can make you rich. Although Canadian Utilities last raised its dividend by 1%, even that can amount to a lot when you're looking at a long period. After 20 years, for example, the payouts will still have increased by more than 22% at that rate.

With the stock down in the past year and its business still looking in great shape, Canadian Utilities could be an ideal dividend stock to hold in your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

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