



If Dividends Matter to You, Enbridge Inc. Must Be in Your Portfolio

Description

I'm a believer in having a few different portfolios for the types of investments that I am working with. The big one that matters to me is my income portfolio; the one that will continuously pay me for being an investor. And one company that I think must be in any income investor's portfolio is **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)).

Everyone is currently quite concerned about investing in anything to do with oil, but Enbridge is in a really unique position where it can continue to generate significant cash flow and pay that money out to its investors. Whether oil goes to \$40 or \$200, Enbridge has its contracts in place to continue generating money.

And here's why: it doesn't get paid a percentage of the price of oil. Rather, it gets paid a flat fee per barrel of oil delivered. The best way to think about Enbridge is to think about the toll systems. There is a lot of oil in Canada and there needs to be a way to get it down to the Gulf of Mexico.

Further, Enbridge has contracts with these producers, so they are going to pay whether oil is \$40 or \$200. That means that Enbridge is going to continue to profit no matter what.

Now railroads are effective. They can transport quite a bit for relatively inexpensive prices. But pipelines are by and far the most efficient way because once the pipe is laid, it's pretty inexpensive to maintain.

What about the dividends

And here is what really matters. Enbridge announced that going into 2015, it would raise its dividend by 33%. That alone would be incredible. But it is just getting started.

From 2016-2018, the company plans to increase the dividend by anywhere from 14-16%. That's really good money. Right now, Enbridge pays a yield of about 3.12%.

Any time a company raises its dividend, you have to pause and make sure that it's sustainable. This one is. By divesting \$17 billion in assets into a holding company called **Enbridge Income Fund Holdings**

(TSX: ENF), the company was able to free up quite a bit of expenses from its books. Now the holding company can raise money to continue building out those assets rather than the mother company.

And that means more money for investors. Unless oil decides to disappear tomorrow or Elon Musk converts everyone over to his electric cars, there is going to be oil in demand. And Enbridge will be there to collect its toll and then pay investors.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

Category

1. Energy Stocks
2. Investing

Date

2025/09/23

Date Created

2014/12/31

Author

jaycodon

default watermark

default watermark