2 Great Dividend-Growth Picks for Your TFSA

Description

Another RRSP season is in the books, and investors are now looking for ways to boost investment income in their TFSAs.

The TFSA is a wonderful product because it protects income from being taxed. This is extremely useful for long-term investors who don't spend their dividends, but reinvest the funds back into new shares.

Why?

Investors are able to use the full dividend to harness the power of compounding in their TFSA accounts. Over time, a relatively small investment can grow to be a substantial sum as the holdings grow with each new dividend payment.

The secret lies in finding top dividend-growth stocks that also have a strong track record of capital appreciation.

Here are the reasons why I think **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) are solid picks.

TD

TD is a lean, mean, profit machine. The company recently reported fiscal Q1 2016 adjusted earnings of $2.2 billion, up a healthy 6% over the same period last year.

Think about it for a second. That's $2.2 BILLION in just three months!

The bank has a fantastic Canadian retail operation that contributed $1.5 billion in net income for the quarter. Loans, deposits, and fee-based revenue all rose in the division while the company trimmed costs.

The company also has a large presence south of the border, which is providing a nice boost to earnings as a result of the strong greenback. The U.S. retail operations delivered Q1 net income of

$642 million, up 20% from last year. The U.S.-based TD Ameritrade division delivered a 21% gain in year-over-year Q1 earnings.

TD just raised its quarterly dividend by 8% to $0.55 per share. The new distribution yields 4%.

A $10,000 investment in TD just 20 years ago would be worth $160,000 today with the dividends reinvested.

Enbridge

Enbridge is another great generator of wealth for its investors.

The company is essentially a tollbooth operator, collecting fees for transporting oil, natural gas, and natural gas liquids from producers to end users.

Investors fled the stock last year as oil prices plummeted and concerns emerged about the company's growth potential in a world of low energy prices.

Oil companies are putting expansion projects on hold for the moment, but Enbridge has more than enough work lined up to carry it through the current downturn in the market.

In fact, Enbridge plans to complete about $18 billion in new infrastructure over the next three years.

This means revenue and cash flow will continue to rise, and investors should see increases in the dividend as a result. Enbridge says it plans to hike the distribution by about 12% per year through 2019.

Investors who made a single $10,000 investment in Enbridge 20 years ago are now sitting on $217,000 if they reinvested all of the dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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