2 Top Dividend Stocks to Consider for Your TFSA

Description

Canadians are embracing the TFSA to help them save for retirement.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they are solid picks.

BCE

BCE has transformed itself from a basic telephone service company to a media and communications giant.

The transition initially had some long-time investors concerned, but management appears to have timed things right and BCE continues to deliver steady dividend growth in step with heavy investment in new assets and infrastructure upgrades.

The company now owns radio stations, a television network, retail stores, specialty channels, and sports teams. When you combine the content with the state-of-the-art wireless and wireline network, you get a business that interacts with most Canadians on a weekly, if not daily, basis.

In fact, any time a Canadian sends a text, checks email, downloads a song, streams a movie, listens to the weather report, watches the news, or calls a friend, the odds are pretty good that BCE is involved in the process somewhere along the line.

BCE's latest deal is a $3.9 billion agreement to purchase **Manitoba Telecom Services**. Some analysts believe the deal will be blocked, but I suspect the acquisition will get the green light.

Why?

BCE plans to invest at least $1 billion in new infrastructure to help upgrade the MTS network, and the company has negotiated an agreement to sell part of the wireless assets in Manitoba to **Telus**. As a result, Manitobans should see better mobile service and faster Internet speeds in the coming years. The asset sale to Telus should help offset competition concerns.

BCE generates significant free cash flow and raises the dividend every year. The current quarterly payout of $0.6825 per share yields 4.5%.

Enbridge

Enbridge took a hit last year as investors exited any name connected to the energy sector. In the case of Enbridge, the sell-off looks overdone.

Enbridge isn’t an oil and gas producer; it simply transports the commodities from the point of production to the end user and charges a fee for providing the service.

According to company documents, less than 5% of revenue is directly impacted by changes in oil and gas prices.

Some analysts are concerned the oil rout will dampen demand for new pipeline infrastructure. That’s likely the case in the near term, but Enbridge has $18 billion in projects already under development that will carry it through the next three years.

As the new assets go into service, revenue and cash flow should increase enough to support annual dividend increases of 8-10%.

Enbridge currently pays a quarterly distribution of $0.53 per share that yields 4%.

CATEGORY

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TICKERS GLOBAL

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

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