



Should You Buy Enbridge Inc. or Toronto-Dominion Bank in Your TFSA?

Description

Canadian investors are searching for top picks to add to their TFSA holdings.

Let's take a look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to see if one is a better bet right now.

Enbridge

Enbridge took a hit last year as investors bailed out of any name connected to the energy sector.

Concerns about a short-term slowdown in demand for new infrastructure are certainly warranted, but Enbridge has a strong portfolio of development projects to keep it busy until the oil sector recovers.

In fact, Enbridge plans to put \$18 billion in new assets into service over the next three years. That should push revenue and cash flow up enough to support dividend increases of about 10% per year.

Enbridge has raised its distribution every year for more than two decades, so investors should be comfortable with the dividend outlook. The current quarterly payout of \$0.53 per share yields 3.9%.

Most of the company's revenue is tied to long-term contracts with the oil industry's strongest players. Throughput remains strong, and less than 5% of the company's overall revenue is directly impacted by changes in energy prices.

Toronto-Dominion

TD reported fiscal Q2 2016 net income of \$2.05 billion, up from \$1.86 billion in the same period last year. The results are rather impressive given the challenges facing the Canadian banks right now.

Much of the success can be attributed to the company's strong retail banking operations. In Canada, TD regularly wins customer service awards, and anyone who is a TD customer knows the branch employees are always on the lookout for opportunities to sell new products and services.

TD's American branch network is actually larger than the Canadian operation, and U.S.-based

earnings are providing a great hedge against tough times in Canada. The U.S. group delivered a 21% year-over-year increase in Q2 earnings, driven by a stronger greenback.

Some investors are concerned about oil risks and the threat of FinTech competition.

Less than 1% of TD's loan book is directly exposed to the energy sector, so there is little to worry about on that front.

The banking industry is definitely facing challenges from mobile payment operators, but TD has the resources to fight the battle and is securing partnerships with FinTech companies to ensure it stays ahead of the curve.

TD has a great track record of dividend growth. The current quarterly payout of \$0.55 per share yields 3.9%.

Which should you buy?

Both stocks deserve to be in any TFSA portfolio. If you only have the cash to buy one, I would go with Enbridge today. The company will probably deliver better dividend growth than TD over the next few years and likely offers more upside potential.

CATEGORY

1. Bank Stocks
2. Energy Stocks
3. 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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