# Young Investors: Should Toronto-Dominion Bank or Enbridge Inc. Be in Your TFSA?

## Description

Young Canadians are using the Tax Free Savings Account (TFSA) to help them save money for retirement.



The strategy is a smart one because the TFSA allows you to buy dividend stocks and reinvest the distributions tax free. This sets off a powerful compounding process that can turn a modest initial investment into a large nest egg over the course of a few decades.

When the time comes to cash out the stocks, the capital gains are also kept out of the hands of the government.

Which stocks should you buy?

The best companies are typically market leaders with strong track records of dividend growth.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see if one is a better pick today.

**TD**

TD is a profit machine. The company generated fiscal Q3 2016 adjusted net income of $2.4 billion. That's up 6% on a per-share basis compared with the same period last year.

The results are impressive, given the economic headwinds facing the banks, and show the benefit of having a diversified revenue stream.

TD's Canadian retail earnings actually slid 3% as a result of high insurance claims caused by the Alberta wildfires, but the company's wholesale segment delivered a 26% increase in profits and the U.S. retail operations increased earnings 17%.

TD actually has more branches south of the border than it does in Canada. This provides investors with a nice hedge against trouble in the Canadian economy as well as a great way to play a strong American dollar.

Management raised the dividend by nearly 8% earlier this year and has delivered 12% annualized growth in the distribution over the past two decades.

TD currently pays a quarterly dividend of $0.55 per share for a yield of 3.8%.

**Enbridge**

Enbridge is an energy infrastructure giant with oil, natural gas, and natural gas liquids pipelines running across Canada and down through the United States.

The great thing about Enbridge is the fact that its assets essentially act as tollbooths, collecting fees for transporting oil and gas from the point of production to the end users. The contracts tend to be long-term agreements, and Enbridge has little exposure to changing commodity prices. In fact, less than 5% of the company's revenue is directly impacted by moves in oil and gas prices.

Enbridge is about to get much larger through its $37 billion takeover of **Spectra Energy**. The deal boosts the company's development backlog to $74 billion with $26 billion targeted for completion in the medium term.



As a result, cash flow should increase enough to support annual dividend hikes of at least 10% through 2024.

The current dividend yields 3.7%.

**Which should you buy?**

Both stocks are top picks and deserve to be in any TFSA portfolio.

Enbridge probably has better dividend-growth potential over the medium term, so I would go with the pipeline operator as the first choice.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. 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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