TFSA Investors: Why Enbridge Inc. Is a Top Dividend Stock for Your Retirement Portfolio

Description

Canadians are buying dividend stocks inside their TFSA accounts to help build savings for their golden years.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why it might be an interesting pick today.

Tollbooth revenue

Enbridge is a big name in the energy industry, but most of the company's revenue isn't directly impacted by changes in commodity prices.

Why?

Enbridge doesn't produce oil, natural gas, or gas liquids; it simply transports the product from the point of production to the end user and takes a fee for providing the service.

Contracts for the use of the company's pipelines tend to be long term, and its core customers are well-funded energy giants.

The oil rout has caused concern about the health of the oil and gas industry. Smaller firms with high debt loads are certainly feeling the pinch, and some are being carved up or even sold to larger competitors.

When that happens, the new owners generally have stronger balance sheets and continue to produce from the same asset base. As long as its pipelines are being used, Enbridge isn't overly concerned about who produces the commodity. In fact, consolidation is probably viewed as a positive because companies with greater financial flexibility tend to spend more on development.

Enbridge said shipments along its mainline infrastructure hit record levels in Q1 2016, so oil sands production remains steady despite lower prices. The Q2 numbers were hit by the Albertan wildfires, but investors should see a return to normal conditions when the third-quarter report comes out.

Growth outlook

Enbridge grows revenue by building new pipelines.

Lower capital spending in the oil patch is going to have a short-term impact on infrastructure demand, but Enbridge has enough development on the go to keep it busy while the industry works its way through the downturn.

The company has $16 billion in near-term commercially secured projects under way and is picking up an additional $10 billion through its acquisition of **Spectra Energy**. When the Spectra deal closes, Enbridge will also have $48 billion in longer-term projects in the portfolio.

This means investors should feel comfortable with the company's ability to grow over the long term.

Dividends

Enbridge has a long track record of providing solid dividend growth, and that trend is set to continue.

As new assets are completed and go into service, Enbridge expects cash flow to increase enough to support dividend hikes of at least 10% per year through 2024.

Should you buy?

Enbridge is already a large company, but the addition of Spectra will create North America's largest energy infrastructure business. When looking for long-term investments, you want to go with industry leaders, and Enbridge certainly fits the bill.

The stock isn't as cheap as it was in January, but you still get a safe 3.7% yield plus strong dividend growth over the next eight years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/22

Date Created
2016/10/25
Author
aswalker