2 Dividend Stocks I'd Buy This Holiday Season With a $10,000 Windfall

Description

The holiday season is fast approaching, and some people might soon find themselves with a bit of extra cash to invest.

The windfall could be from a bonus at work, a gift from a grandparent, or the result of a lucky scratch ticket stuffed in a stocking.

Regardless of the source of the funds, one way to make sure the gift keeps on giving is to buy quality dividend-growth stocks inside your TFSA and reinvest the distributions. This sets off a powerful compounding process that could turn your initial $10,000 into a sweet sum over the course of the next 20 years.

Let's take a look at **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks.

Fortis

Fortis owns natural gas distribution, power generation, and electricity transmission assets in the United States, Canada, and the Caribbean.

The company has grown substantially over the years through strategic acquisitions, and that trend continues today. Fortis just closed its purchase of ITC Holdings Corp., the largest independent transmission company in the United States.

The US$11.3 billion deal initially had investors concerned Fortis might be taking on more than it could chew, but the company has a strong track record of integrating big takeovers, and the market quickly became comfortable with the purchase.

Fortis now has 60% of its assets based in the United States, which makes it an attractive way for Canadian investors to get some exposure south of the border.

Management has raised the dividend every year for more than four decades, making Fortis one of

Canada's top dividend-growth stocks. The company plans to deliver annual dividend hikes of at least 6% per year through 2021.

The current distribution yields 3.9%.

A single $10,000 investment in Fortis 20 years ago would be worth $180,000 today with the dividends reinvested.

Enbridge

The oil rout is impacting demand for short-run pipelines, and public opposition is making it harder to get the big projects into the ground.

As a result, Enbridge decided to drive growth through a major acquisition.

What's going on?

Enbridge is buying **Spectra Energy** for $37 billion in a deal that will create North America's largest energy infrastructure business with an enterprise value of roughly $165 billion.

The combined operations boast $26 billion in commercially secured development projects that are under way and should ensure adequate cash flow growth to support annual dividend hikes of at least 10% per year through 2024.

Difficult times are set to continue in the oil sector for the near term, but Enbridge has enough work to keep it busy and is large enough to grow through additional acquisitions if the energy sector remains under pressure for longer than expected.

The dividend currently provides a 3.7% yield.

What about returns?

A $10,000 investment in Enbridge 20 years ago would be worth $327,000 today with the dividends reinvested.

Is one a better bet?

Both stocks are attractive buy-and-hold dividend picks for a TFSA account.

At the moment, I would probably go with Enbridge as the first choice given its higher dividend-growth outlook for the medium term.

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