Dividend Seekers: Is Enbridge Inc. or BCE Inc. a Better Pick for Your TFSA?

Description

Canadians are searching for top dividend stocks to add to their Tax-Free Savings Account (TFSA) portfolios.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) to see if one is attractive today.

Enbridge

Enbridge just wrapped up its $37 billion purchase of Spectra Energy in a deal that creates North America's largest energy infrastructure company.

The merger results in a near-term commercially secured project portfolio worth about $27 billion, which is great news for dividend investors.

Why?

As the new assets are completed and go into service, cash flow is expected to increase enough to support dividend growth of at least 10% per year through 2024.

In addition, Enbridge has $48 billion in long-term projects in the development pipeline that should help ensure continued increases to the payout beyond the current guidance.

The company is primarily known for its pipeline infrastructure, but Enbridge also owns significant renewable energy assets and continues to boost its holdings.

The latest deal is a $1.7 billion investment in a German wind park being built in the North Sea.

Enbridge recently raised its dividend by 10%, and investors should see another hike by the end of the year now that the Spectra merger is closed.

The current payout provides a yield of 4.2%.

BCE

BCE just received final approvals for its $3.9 billion acquisition of Manitoba Telecom Services (MTS). The deal is expected to close this month and will launch BCE into top spot in the Manitoba market.

The MTS acquisition also provides BCE with a strong base to expand its reach into western Canada.

Management says the deal will deliver $100 million in annualized cost synergies and is expected to be immediately accretive to cash flow.

Investors just received a 5% boost to the dividend based on BCE's 2017 outlook, which didn't include potential contributions from the MTS purchase.

BCE has come under some pressure in recent months as investors fret about impending interest rate hikes in the United States.

Rising rates can be negative for telecoms, REITs, and utility stocks because these businesses tend to carry large debt levels, and are popular among yield seekers who might shift to fixed-income holdings when rates rise.

In BCE’s case, any additional dip in the stock could be a buying opportunity, as rate hikes are expected be small in size and drawn out over a number of years.

BCE generates significant free cash flow and dividend growth should continue to be steady. The 5% yield you pick up today is significantly more than any fixed-income investment will provide for quite some time.

Is one more attractive?

Both companies should continue to be solid buy-and-hold picks for a TFSA.

That said, Enbridge probably offers better dividend growth over the medium term, so I would make the pipeline giant the first pick today.

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