

# Young Investors: A Top Dividend-Growth Stock to Help You Save for Retirement

## Description

Millennials are working hard to set aside a bit of cash every month to ensure they don't run out of money down the road.

This wasn't always a concern for young professionals, but the days of juicy pension plans and cheap housing are pretty much gone, so young people have to find other ways to plan for retirement.

One strategy is to buy dividend-growth stocks inside an RRSP or TFSA and reinvest the distributions in new shares.

This sets off a powerful compounding process that can turn a modest initial investment into a serious pile of money over time.

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

## Attractive assets

Enbridge is best known as a liquids pipeline company, but it also has natural gas utility and renewable energy assets.

The great thing about most of the company's businesses is that once the assets are in place, they pretty much act like toll booths or cash machines for decades.

In order to boost revenue, Enbridge has to add new infrastructure to the portfolio. There are essentially two ways to do this, and the company has a strong track record of growing through both organic projects and strategic acquisitions.

Recently, Enbridge closed its \$37 billion purchase of Spectra Energy in a deal that creates North America's largest energy infrastructure firm. Spectra brings significant additional gas assets as well as a strong backlog of commercially secured development projects.

All told, Enbridge now has about \$27 billion in near-term projects on the go with an additional \$48 billion in the planning stages.

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

That's not bad in the current environment, especially when the existing dividend already provides a yield of 4%.

What about returns?

Long-term holders of the stock have done very well. In fact, a \$10,000 investment in Enbridge 20 years

ago would be worth about \$303,000 today with the dividends reinvested.

### **The bottom line**

There is no guarantee Enbridge will deliver the same results over the next two decades, but the strategy of buying solid dividend-growth stocks and reinvesting the dividends is a proven one.

It just requires some discipline to make the investments and enough patience to let the system work through the ups and downs of the market.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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

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