



2 Dividend-Growth Stocks to Consider for Your TFSA

Description

Canadian investors are searching for attractive dividend stocks to add to their TFSA portfolios.

Let's take a look at **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see why they might be interesting picks today.

Sun Life

Sun Life rallied in the wake of the U.S. election as investors piled into insurance stocks, hoping to benefit from an expected boost in U.S. growth and subsequent increases in interest rates.

Why are interest rates important?

Insurance companies have to keep large sums of money available to cover potential claims. When interest rates increase, these companies can earn better returns on these funds.

The initial surge took Sun Life's stock price from \$45, just before the Nov. 8th election, to above \$53 per share by the end of that month, but the stock has since given back all of the gains.

Investors are now more cautious about Trump's ability to drive the U.S. growth, and while higher rates are still expected, the pace of rate hikes might not be as aggressive as the market anticipated a few months ago.

Sun Life's U.S. operations are also causing some concern. The wealth management business, MFS, booked net outflows of US\$11.1 billion in Q1 2017. That was 10 times higher than the net outflows of US\$1.1 billion in the same period last year.

This comes on the heels of net outflows of US\$9.5 billion in Q4 2016. Investors should keep an eye on the next quarter or two to see if the trend continues.

Aside from that, Sun Life is performing quite well with the Canadian and Asian operations delivering solid results.

Sun Life has strong businesses in emerging countries such as India, Indonesia, and the Philippines, where expansion of the middle class is driving demand for insurance and investment products.

The company recently raised the dividend by 4%, so management can't be too concerned about the earnings outlook.

At the current price of \$44.20, investors can pick up a yield of 3.9%.

Enbridge

Enbridge recently closed its \$37 billion purchase of Spectra Energy in a deal that creates an energy infrastructure giant. Spectra's natural gas pipelines and utility businesses are nice complements to Enbridge's heavy focus on liquids pipelines.

The newly combined company has \$27 billion in secured capital projects with \$11 billion scheduled for completion through the end of 2017 and an addition \$4 billion in 2018.

As the new assets begin to generate revenue, Enbridge believes cash flow will increase enough to support annual dividend hikes of at least 10% through 2024.

The current dividend provides a yield of 4.7%.

Is one a better bet?

Both stocks offer attractive dividends that should be sustainable.

Sun Life is a good pick if you believe interest rates are headed higher and you want exposure to international growth. That said, I would wait for the Q2 numbers to come out to see how things are going at MFS before buying.

Enbridge would likely come under some pressure in an environment of rising rates, but the strong dividend growth should offset the rate impact.

At this point, I would probably make Enbridge the first choice.

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1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. TSX:ENB (Enbridge Inc.)
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