



## Pensioners: 2 Dividend-Growth Stocks to Generate Income in Your TFSA

### Description

Canadian retirees are using their Tax-Free Savings Accounts (TFSA) to hold dividend stocks and generate additional income.

The strategy is a wise one.

All the distributions and any capital gains can go straight into your pocket. That's right; you don't have to set any aside for the taxman.

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

### Enbridge

Tough times in the oil sector and public opposition to new pipelines are driving consolidation.

In an effort to boost growth, Enbridge recently closed a \$37 billion deal to buy Spectra Energy. The move creates North America's largest energy infrastructure company and sets Enbridge's shareholders up for some nice dividend growth.

Why?

Management says Enbridge now has \$27 billion in commercially secured projects on the go that should generate enough cash flow growth to support annual dividend increases of at least 10% through 2024.

The company has a long track record of raising the payout, so investors should feel comfortable with the guidance.

Enbridge currently offers a yield of 4.63%.

### Fortis

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

The company has made a series of acquisitions in the past three years, including the US\$4.5 billion purchase of Arizona-based UNS Energy, the US\$11.3 billion acquisition of Michigan-based ITC Holdings Corp., and the recent deal to take a two-thirds stake in the Waneta Dam in British Columbia.

Fortis gets more than 90% of its revenue from regulated businesses, which means cash flow should be predictable and reliable.

The company expects the recent acquisitions to boost cash flow enough to support annual dividend increases of at least 6% through 2021.

Fortis has raised its payout every year for more than four decades.

At the time of writing, the stock provides a yield of 3.4%.

### **Is one a better bet?**

Both stocks should be reliable picks for an income-focused TFSA portfolio.

That said, Enbridge provides a higher yield right now and likely offers better dividend growth over the medium term, so I would probably make the pipeline giant the first pick today.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)

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