Young Investors: A Top Stock Pick for Your TFSA Retirement Fund

Description

Canadian investors are searching for ways to set aside enough cash to retire in comfort.

In the past, this wasn't much of a concern for new grads and young professionals, as full-time employment was readily available, and many companies provided defined-benefit pension plans.

Today, however, many companies only hire on a contract basis, and when they do offer full-time work, the benefits are much less generous. If a pension benefit exists, it is more likely to be a defined-contribution offer, rather than a defined-benefit plan.

Fortunately, young Canadians can still save some serious cash for the golden years.

How?

The Tax-Free Savings Account (TFSA) allows Canadians to collect dividends without having to set aside some of the distributions for the taxman. This means the full value of the payouts can be invested in new shares.

Over time, the power of compounding can turn a modest initial investment into a large nest egg.

When the time comes to cash out and spend the money, all capital gains are yours to keep. None of the money is taxed.

Which stocks should you buy?

The best companies are market leaders with long track records of dividend growth.

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

Growth

Enbridge closed its $37 billion purchase of Spectra Energy earlier this year. The acquisition added important strategic natural gas assets to complement Enbridge's heavy focus on liquids pipelines.

The deal also created North America's largest energy infrastructure company and bumped up the near-term capital plan to $27 billion.

Enbridge has since added nearly $4 billion in secured projects to the development program.

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% through 2024.

The stock currently offers a yield of 4.6%, so investors are looking at some decent returns, even if the share price doesn't increase.

Reliable cash flow

Pipelines are expensive to build, but once the assets are in place, they pretty much act as tollbooths for decades. The great thing about Enbridge is that it isn't an oil or gas producer, it simply moves the product from the point of production to the end user and charges a fee for providing the service.

The company's main customers tend to be industry giants with deep pockets who sign long-term contracts to ensure they can get their product to market.

Should you buy?

Enbridge has a strong track record of dividend growth, and that trend should continue. If you are looking for an industry leader to hold as an anchor position in a TFSA retirement portfolio, this stock looks attractive today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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