2 Top Dividend-Growth Stocks for TFSA Investors

Description

Investing in stocks that pay dividends and grow them regularly is a great way to multiply the savings in your Tax-Free Saving Accounts (TFSAs).

Stocks that offer hefty dividends protect your portfolio from inflation, meaning they preserve the value of your investment as prices rise.

Dividends help your TFSA investments to grow faster as compounding plays its magic. To take the full advantage of compounding, I strongly recommend you include some monthly dividend-paying stocks. Compounding multiplies your wealth much faster if you get monthly dividends.

Here are two dividend-growth stocks I particularly like for TFSA investors.

Enbridge Inc.

Enbridge Inc. (TSX:ENB)(NYSE:ENB), North America's largest energy infrastructure company, is a very reliable dividend-growth stock.

You may be surprised to learn that Enbridge has hiked its annual dividend payment for 22 consecutive years. This year alone, investors are getting 15% more in dividends when compared to 2016.

Enbridge currently pays a $0.48-a-share quarterly dividend with a current annual yield of 4.8%. With a safe 50-60% dividend-payout ratio, Enbridge's dividend is one of the most predictable among the top Canadian companies.

The reason behind this success story is that Enbridge has a very robust pipeline of projects. After Enbridge's recent acquisition of Spectra Energy, Enbridge is forecasting 10-12% growth in its dividend through 2024.

Trading at ~$51 a share, Enbridge stock is down 10% as the Bank of Canada hikes interest rates — a move which is generally negative for utility stocks. I think it's a good time to pick this long-term growth stock for your TFSA portfolio when it's trading near the 52-week low.

Bank of Nova Scotia

Canadian banks provide a stable and growing income stream for their shareholders. The reason is that they operate in a kind of oligopoly where "Big Five" banks dominate the financial services market.

This powerful advantage allows them to distribute about half of their profit among shareholders each year, and that's has been growing consistently.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) has a long history of growing its payout. The dividend has grown from $1.74 a share in 2007 to $2.88 a share in 2016.

For the future growth, Bank of Nova Scotia is also well positioned. With its growing footprint in South America and its strong business in Canada, investors can expect these dividends will continue to grow.

Bottom line

Investing in dividend-growth stocks and holding them in your portfolio for long time is an important part of your TFSA. There is no doubt that stocks are riskier than investing in GICs or government bonds, but if your time horizon is long, investing in dividend-growth stocks will leave more in your TFSA.

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