



## Should Enbridge Inc. Be in Your TFSA Right Now?

### Description

Canadian investors are searching for top dividend-growth stocks to hold in their TFSA portfolios.

The strategy makes sense for income investors as well as for those who are using the TFSA to build a retirement fund.

Why?

Any distributions paid out in the TFSA can go straight into your pocket or be used to buy more shares, and investors don't have to worry about setting any of the payouts aside for the tax authorities.

In addition, any capital gains that are generated when the stocks are sold are also tax-free.

Let's take a look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see if it deserves to be on your TFSA buy list.

### Growth

Enbridge closed its \$37 billion acquisition of Spectra Energy earlier this year in a move that created the largest energy infrastructure in North America.

The deal wasn't a surprise, given Enbridge's size and the current trend of consolidation in the sector.

Spectra brought important gas assets to complement Enbridge's heavy focus on liquids pipelines. The purchase also provided a nice boost to Enbridge's capital program.

Additional projects have been added since the purchase closed, and Enbridge says it now has about \$31 billion in commercially secured assets under development that should be completed in the next few years.

### Dividend outlook

The company expects revenue and cash flow to increase enough to support annual dividend growth of

at least 10% through 2024.

Enbridge has a strong track record of raising the payout, so investors should feel comfortable with the guidance. In fact, the compound annual dividend-growth rate for the past two decades is greater than 11%.

The current quarterly payout of \$0.61 per share provides an annualized yield of 4.7%.

### **Should you buy?**

Enbridge has recovered some lost ground in recent weeks, but the stock is still down about 10% in the past 12 months.

The broader pullback in the energy sector is to blame for a large part of the dip, but concerns connected to rising interest rates are also coming into play.

Pipeline companies take on a lot of debt to help pay for their projects, and rising rates can restrict cash that is available to pay distributions.

In addition, the sector often attracts yield investors when rates are falling, and there is a line of thinking that suggests higher interest rates could trigger a shift of funds out of the “go-to” dividend companies, such as Enbridge, in favour of fixed-income alternatives.

At this point, I think the sell-off is still overdone. Enbridge’s dividend-growth outlook is strong, and it will be a long time before GICs can match the current yield on the stock.

If you have some cash sitting on the sidelines, it might be worthwhile to add a bit of Enbridge to the TFSA portfolio while the stock is still out of favour.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Dividend Stocks

- 2. Energy Stocks
- 3. Investing

**Date**

2025/08/18

**Date Created**

2017/10/04

**Author**

aswalker

default watermark

default watermark