3 Reasons Why Enbridge Inc. Stock Should Be in Your TFSA Portfolio

Description

As you start your saving journey through your Tax-Free Saving Account (TFSA), one important part of your investing strategy should be picking solid stocks that pay regular dividends.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is one of the best dividend stocks in this category. Let's find out what makes this stock so attractive for income investors.

Attractive yield

Pipeline operators have reliable income streams driven by the industry's toll-taker business model with long-term, take-or-pay contracts. Their clients are usually top-notch customers, such as refineries and mid-stream oil and gas companies. This feature makes their revenues stable and dividends more secure.

Enbridge operates the world's longest crude oil and liquids transportation system in North America. The company is a leader in gathering, transportation, processing, and storage of natural gas, serving about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and the state of New York.

Enbridge's stock is currently offering ~5%, which is a much higher than its average five-year yield of about 3% and the industry average of 2.75%.

The reason behind this above-average dividend is that its stock price has been under pressure due to rising interest rates in Canada and general weakness in the energy sector.

Dividend growth

One of the most important factors to look for in an income-producing stock is its dividend growth. This is important because you want to make sure your return on investment is keeping up with the rate of inflation.

On this metric, Enbridge has done a great job. During the past five years, its dividend payout has grown ~17% against the industry average of 13%.

The company has paid dividends to shareholders every year since 1953, making this as one of the longest payout streaks among Canadian companies.

Attractive valuations

Enbridge stock has dropped 13% so far this year, underperfoming the broader market. But this weakness has made this stock attractive for long-term income investors.

According to analysts' consensus forecast, Enbridge stock has a 24% upside potential in the next 12 months from its current price of $50.42. Of a total of 17 analysts covering the stock, 10 have a "buy" recommendation, according to Yahoo Finance.

Being a stable and reliable dividend payer, Enbridge is in a growth mode as well. Since last year's acquisition of Spectra Energy, the combined company's project pipeline has expanded substantially, with $26 billion of secured growth projects in execution and another $48 billion of projects under development.

The current weakness in Enbridge provides a good opportunity for TFSA investors to make this top dividend stock a part of their portfolios.

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