2 Rock-Solid Dividend Stocks to Multiply Your TFSA Wealth

Description

Investing in solid dividend-paying companies should be a top priority as you build your retirement portfolio using the Tax-Free Saving Account (TFSA).

Companies that pay regular dividends and grow them over time provide income stability and growth to your TFSA portfolio.

In this investing strategy, utility stocks fit quite nicely. Keeping this theme in mind, I have picked to top dividend stocks for you to consider for your TFSA portfolio.

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

Toronto-based Enbridge operates the world's longest crude oil and liquids transportation system, which insulates it from the cyclical nature of the commodity markets.

The company is a leader in gathering, transportation, processing, and storage of natural gas in North America, serving about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and New York State.

Enbridge's dividend yield is nearly 5%, which is much higher than its average five-year yield of about 3% and the industry average of 2.75%. Rising interest rates in Canada, and the company's recent $37 billion merger with Spectra Energy are two factors that have kept Enbridge stock under pressure this year.

But for long-term investors, a 12% drop in its share price this year creates a buying opportunity.

The company is targeting 10-12% growth in its dividends through 2024, helped by some big-ticket infrastructure projects following its acquisition of Spectra Energy.

I think Enbridge stock, trading near the 52-week low of $48.45, also provides a good value for long-term TFSA investors as the company overcomes its merger-related issues and fulfills its growth agenda.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN)

Ontario-based Algonquin is another utility stock that is my favourite for income investors, because of the company's growth-oriented policies and a solid performance by its shares.

Algonquin is a diversified generation, transmission, and distribution utility with US$10 billion of total assets. Through its two business groups, the company provides rate-regulated natural gas, water, and electricity services to over 700,000 customers in the U.S.

Algonquin also has a clean energy unit, running a portfolio of long-term contracted wind, solar, and hydroelectric-generating facilities, managing more than 1,250 MW of installed capacity. It generates about 70% of earnings from regulated utilities and 30% from contracted renewable power.

With an annual dividend yield of 4.2%, which translates into a $0.1480-a-share quarterly payout, Algonquin stock is a solid long-term play in the utility space.

The only disadvantage for Canadian investors is that the company pays its dividend in the U.S. dollar. That means you should be ready to absorb some fluctuation in your dividend income as the exchange rate varies quarter to quarter.

Just like Enbridge, Algonquin is targeting 10% growth in its dividend payout each year for the next five years. That growth should be enough to beat inflation and protect your investment from price pressures.

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