Is Enbridge Inc. an Attractive Dividend-Growth Stock to Own for Decades?

Description

The stock markets are having a fantastic year, and new investors are wondering where they can still put their money to get decent returns.

One popular strategy involves buying quality dividend-growth stocks inside a TFSA or RRSP and investing the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice savings fund over time.

Ideally, investors have the cash available to max out their RRSP and TFSA contribution room. Most Canadians, however, are not in that situation, so the decision to use the RRSP or the TFSA would depend on your tax bracket, and whether or not you think you might need access to the funds in the near term.

Investors in a higher tax bracket who don't plan to access the funds for several years would probably benefit most by using the RRSP first. For those in a lower tax bracket, the TFSA might be more attractive, especially if you think you might need the money for an emergency.

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 in a move that created North America's largest energy infrastructure company.

Spectra brought important gas assets and provided a nice boost to the capital program. As a result, Enbridge has $31 billion in projects under development, of which $22 billion should be completed in the next three years.

As the new assets go into service, Enbridge expects cash flow to increase enough to support annual dividend growth of at least 10% through 2020. The company just announced a 10% increase for 2018, and that follows a 15% hike this year.

Oversold?

The stock has been out of favour for most of 2017 and just recently bounced off the low, rising from about $44 to $49. That's a nice return for investors who'd bought in the middle of November, but more gains could be on the way.

Why?

The company plans to sell $10 billion in non-core assets in the next few years, with $3 billion targeted for 2018. The proceeds will be used to pay down debt and strengthen the balance sheet.

This should make the market more comfortable with the stock as interest rates rise.

Dividend yield

At the time of writing, Enbridge provides a dividend yield of more than 5%. Investors who get in today can collect an above-average yield and are looking at steady dividend growth over the next few years.

Enbridge has a strong track record of raising the payout, so new shareholders should feel comfortable with the guidance.

Should you buy?

Enbridge is a proven buy-and-hold stock, and dips have historically turned out to be great opportunities. If you have some extra cash available, it might be worthwhile to add a bit of Enbridge to the portfolio while it is still cheap.

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