



Should Enbridge Inc. Be a Top RRSP Dividend Pick Today?

Description

Canadian savers are searching for stocks to add to their [RRSP](#) portfolios.

The recent downturn in the equity markets is providing investors with opportunities to pick up some of Canada's top dividend stocks at potentially attractive prices.

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

Growth

Enbridge bought Spectra Energy last year in a \$37 billion deal that created North America's largest energy infrastructure company.

Spectra added important gas assets to complement Enbridge's heavy focus on liquids pipelines and provided a nice boost to the capital plan. In fact, Enbridge is working its way through \$22 billion in near-term commercially secured projects that should be completed through 2020.

Debt reduction

Enbridge plans to reduce debt by \$4 billion in the next few years. Part of the funds will come from \$10 billion in non-core asset sales, of which \$3 billion is targeted for 2018. The company is undergoing a shift to focus on regulated businesses, and this should improve investor confidence.

Dividend outlook

As the new assets go online, Enbridge expects cash flow to increase enough to support annual [dividend growth](#) of at least 10% through the end of 2020.

The company raised the payout by 10% for 2018, and that comes after a 15% increase last year.

Enbridge has a strong track record of bumping up the distribution, so investors should feel comfortable with the guidance.

Risks

Rising interest rates could increase borrowing costs and take a chunk out of cash flow available for distributions. Higher rates also make fixed-income options more competitive with dividend stocks, and there is a line of thinking that funds could shift out of names such as Enbridge as rates increase.

In addition, anti-pipeline sentiment is making it harder for large, new projects to get the green light.

Should you buy?

The stock is down from \$55 per share last year to the current price of about \$44. That puts the dividend yield above 6%.

More volatility could be on the way in the near term, but rate fears might be a bit overblown. At this point, I think Enbridge look attractive for buy-and-hold RRSP investors who might be searching for a top-quality dividend stock to add to their portfolios.

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