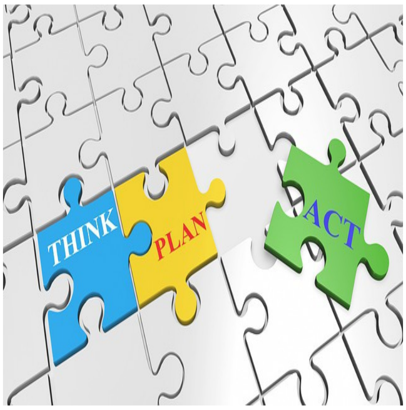

A High-Yielding Dividend Stock for Your TFSA, but Is it Safe?

Description

I usually don't recommend taking extra risk in your investing approach if you're using your Tax-Free Savings Account (TFSA) to build your retirement portfolio.

I think avoiding the high-risk area of the market is a good strategy for long-term investors. There is no guarantee that today's high-yielding stocks will continue to maintain their payouts in the long run. Do you remember the 2014 crash in commodity prices? It took with it many solid dividend names that were either forced to slash their dividends, or, in some cases, abandon their cash-return programs altogether.

After these words of caution, I also want to highlight this fact that the markets sometimes present opportunities where stocks get punished for all the wrong reasons, and they become undervalued.

That's usually the time when you can lock in some hefty yields and take advantage of the market's noise. Here is a high-yielding stock for you to consider and, if possible, include in your TFSA portfolio.

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

Enbridge is North America's largest pipeline operator. It has been under selling pressure for many months. The slide in its share price further accelerated after the bond yields began to rise in the U.S. and Canada on expectations of higher inflation. Power and gas utilities underperform in this environment, as investors move their cash to risk-free government bonds.

There is no doubt that Enbridge has its own issues too. Its balance-sheet is highly leveraged, and its debt is swelling, especially after its Spectra Energy acquisition of the last year.

But despite these threats, I think Enbridge's strength in the sector remains intact. It operates the world's longest crude oil and liquids transportation system. 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 shipped record oil volumes in December, as rising western Canadian production filled the extra capacity the company has been adding to its system.

The increased volumes helped push Enbridge to an adjusted net income of $1.01 billion, or $0.61 per common share, beating analyst expectations of $0.56 per share of adjusted earnings in the fourth quarter.

Attractive yield

As the stock lost more than quarter of its value during the past 12 months, its annual dividend yield swelled to over 6.5%. At the current level, Enbridge’s yield is more than double the company’s five-year average yield.

If you are seeking a stable dividend stock that regularly hikes its payout, then Enbridge should be in your TFSA. The pipeline operator has a history of more than six decades of delivering regular payouts. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 11.7%. For the next three years, the company plans to grow its $2.68-a-share yearly dividend by 10% each year.

Trading at $40.99 and with a forward P/E multiple of 16, Enbridge’s valuation has become attractive after a 26% drop in its share price in the past 12 months. I think Enbridge’s dividend is safe, and its stock is a good bargain for TFSA investors.

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