
# Which Is the Better Dividend Stock: Toronto-Dominion Bank or Enbridge Inc.?

## Description

One way for investors to accumulate cash in their portfolio is by investing in dividend stocks, especially ones that grow their payouts. Dividend growth stocks are great long-term investments, as you'll likely be earning a higher yield on your original investment than you would with a stock that doesn't raise its payouts.



Two of the best dividend-growth stocks on the TSX are **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). I'm going to compare them to see which one would be a better fit for your portfolio today.

**Current yields**

TD's dividend might be unappealing at first glance, as it pays 3.6%, which is relatively low for investors who prioritize a good dividend. It's not hard to find sustainable, 4% yields on the market that don't expose investors to significant risk, so TD's yield would not be that impressive if not for the growth potential that it offers shareholders.

Enbridge, however, is paying its shareholders more than 6.3%, and much of that is due to the stock's decline over the past year. Over the last 12 months, Enbridge's share price has declined 22%, and it's only recently that the stock has found some momentum.

**Dividend growth rates**

Enbridge has a leg up on TD as far as having a higher yield today, but the important question is just how much investors can expect payouts to grow over the years.

In 2013, TD was paying a quarterly dividend of $0.405 every quarter, which has since grown to $0.67, for an increase of 65% and a compounded annual growth rate (CAGR) of 11%. By comparison, Enbridge's dividend payments have grown 113%, for a CAGR of over 16%.

If we were to look strictly at dividends, then Enbridge would be the clear winner at this point. However, investors should consider other factors as well, because there's no guarantee that a dividend that's strong today won't be gone tomorrow.

**Growth potential and risk**

For a company to continue growing its dividend, it needs to have a bright future and the expectation that it will be able to remain profitable. The one risk that Enbridge exposes investors to is fluctuating commodity prices. Although oil prices are back on their way up, it's been a long road back from a big downturn in the industry that has crippled many stocks in oil and gas.

From a risk standpoint, TD is clearly the better, safer stock. The company is well diversified and has many locations in the U.S., which will minimize its exposure to the domestic market. However, investors who are bullish on oil and gas could see a lot of upside in Enbridge, as the stock has been overdue for a recovery for some time now. It's coming off a 52-week low, and now that the stock is picking up steam, it could generate significant returns for investors.

**Which is the better buy?**

If you're a conservative investor, then TD would certainly be the stock for you. However, if you're willing to take on a little bit of risk, then Enbridge is the better buy today, as it's coming off a low, has a great dividend, and could earn you significant gains as the oil and gas industry continues to recover.



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**Author**
djagielski