2 High-Yielding Dividend Stocks: Which 1 Is Safe for Your TFSA?

Description

I usually don't recommend buying high-yielding dividend stocks to keep in your Tax-Free Savings Account (TFSA) because high-yielding stocks usually come with a higher degree of risk. If your investing objective is to preserve cash with a reasonable return, then stocks that pay higher yields don't fit in this strategy.

Still, all high-yield stocks aren't doomed to sink. Sometimes the market punishes a company for all the wrong reasons. You can take advantage of this situation and fill your TFSA with some quality stocks that are facing temporary setbacks and offering yields that are much higher than the average market return.

Here are two Canadian energy infrastructure stocks that you could consider for your TFSA. Let's find out which one is safer than other.

Enbridge

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is the largest pipeline operator in North America with a huge asset base. But its stock has been in hot water on concerns that the company's more than $60 billion debt is too high for the operator to maintain a double-digit growth in its dividend.

But the latest price action in the market suggests that investors are coming back to this top dividend-paying stock in Canada, as its share price has bounced back from its five-year low of $37.36 in late April.

Enbridge is accelerating its plan to sell assets to cut its debt. The Calgary-based operator announced this month that it has finalized a pair of deals that generated combined proceeds of roughly $3.2 billion.

According to media reports, more deals may be coming, including gathering and processing assets that could fetch more than $1.56 billion.

With an annual dividend yield of 6.35%, Enbridge could be a solid addition to your TFSA. The company has a track record of paying dividends for more than 60 years. With the forward price-to-earnings multiple of 17 and 11% dividend growth, I think Enbridge offers an attractive risk/reward preposition.

AltaGas

AltaGas Ltd. (TSX:ALA), a Calgary-based power and gas utility, is one of the highest-yielding energy stocks in Canada. With a massive 8.5% annual dividend yield, AltaGas pays a $0.1825-a-share monthly distribution, which comes to $2.19 a share yearly.

With this highly juicy dividend yield, however, comes greater risk. The utility is in the process of getting regulatory approvals for its $8.4 billion mega deal to buy U.S.-based **WGL Holdings, Inc.** Since the company announced this deal, investors are shying away from this stock on concerns that the deal is too big for a company whose asset base is not more than $10 billion.

But both companies have recently announced that their merger is on track, and they plan to conclude the deal in the next couple of months.

Which stock is better?

Despite AltaGas's massive dividend yield, I find Enbridge a more reliable and stronger name for investors seeking regular income. The company is making good progress to reduce its debt and to free up more cash for its development program. The company's dominant position in the energy infrastructure of North America also makes it a more valuable play than AltaGas.

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hanwar