2 Dividend-Growth Stocks to Buy and Hold in Your TFSA

Description

Saving and investing inside a Tax-Free Savings Account (TFSA) is a great way to start planning for your retirement.

There are many advantages of saving through TFSAs. If you need to sell a portion of your portfolio and withdraw the cash for an emergency or other purpose, you can do so without tax consequences.

What's more, the value of the withdrawal will be added back to your TFSA contribution room as of Jan. 1 of the year following the withdrawal — something that doesn't happen with a registered retirement savings plan. To get you started on your TFSA portfolio, here are two dividend stocks that I believe are good fit for a long-term investment plan.

Enbridge Inc.

While picking stocks for your TFSA portfolio, it's important that you focus on the names that command a leading position in their industries. Companies with a wide economic moat are in a better position to reward investors who want to hold them for a long period.

Toronto-based **Enbridge** (TSX:ENB)(NYSE:ENB), North America's largest pipeline operator, certainly fits the bill. Enbridge's pipeline network handles 28% of the crude oil produced in North America. The company also moves about 22% of all natural gas consumed in the U.S., serving key supply basins and demand markets.

The other main benefit of keeping Enbridge in your TFSA is that it's a great dividend-growth stock. Over the past 20 years, its payout has grown at an average compound annual growth rate of 11.7%. Going forward, Enbridge is expecting 10% growth in the payout through 2020, as it undertakes $22 billion worth of development projects.

At its current price of $44.10 a share, Enbridge pays $2.68 a share annual dividend, translating into a yield of 6%. That's a quite attractive return if you compare it with the company's five-year average of 3.71%.

Bank of Nova Scotia

Another dividend-growth stock I particularly like for TFSA investors is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). This is Canada's third-largest lender, and it is in an extensive growth mode.

Instead of following the footsteps of its peers, which bought U.S.-based banks to grow, BNS took a different route. It's expanding its reach in South America, focusing on Mexico, Peru, Chile, and Columbia. The region is forecast to contribute 30% to the bank's total revenue over the next three years, up from 23% currently.

This year, BNS is spending about $7 billion on acquisitions both in Canada and these emerging markets, setting the stage for its next leg of explosive growth.

For TFSA investors, BNS is an ideal stock to buy due to its solid dividend-growth history. It has paid a dividend every year since 1832, while it has hiked its payouts in 43 of the last 45 years. Trading at $75.29, BNS pays $3.40 payout a year. That translates into an annual yield of 4.52%, an attractive rate of return when compared with other lenders.

Bottom line

Buying dividend-growth stocks such as Enbridge and BNS should be the key part of your TFSA investing strategy. Their growing payouts will help you multiply your wealth quickly with no tax liability.

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