Should You Buy Enbridge Inc. (TSX:ENB) or Fortis Inc. (TSX:FTS) Stock for Your RRSP or TFSA Today?

Description

Canadians are using their TFSA and RRSP to build self-directed retirement funds.

Setting some cash aside to supplement government and company pensions has always been a smart move, but the need to take control of one's own retirement planning has increased in recent years, especially among younger investors. Self employment is now easier with the advancements in technology, and contract work has become more prevalent in a number of industries.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) and **Fortis** (TSX:FTS)(NYSE:ENB) to see if one might be an interesting pick for your portfolio.

Enbridge

Enbridge's stock price has taken a hit in the past two years amid concerns that rising interest rates will make the stock less attractive for investors. In addition, pundits weren't overly thrilled with state of the balance sheet after the $37 billion buyout of Spectra Energy, and the company's complicated structure involving drop-down subsidiaries was not very popular.

Last fall, management launched a turnaround plan to address these concerns, and the early results of the efforts are positive. Enbridge has successfully negotiated deals to buy outstanding shares in a number of subsidiaries and has found buyers for $7.5 billion in non-core assets. This should streamline the corporate structure and refocus the company on regulated businesses while cleaning up the balance sheet.

Enbridge has a solid development program on the go that includes $22 billion in near-term capital projects. As the assets are completed, cash flow should increase enough to support ongoing dividend hikes.

The stock appears oversold right now, trading at $43.50 compared to $52 a year ago. The current distribution provides a yield of 6%.

Fortis

Fortis is a major player in the Canadian and U.S. natural gas distribution, power generation, and electric utility sectors with assets of close to $50 billion. The company also has operations in the Caribbean.

Large investments in the United States in recent year have resulted in the U.S. operations contributing a majority of the revenue stream, and the strategy appears to be working. The new assets are performing well and a strengthening U.S. dollar against the loonie can provide a nice boost to income.

Fortis has $15 billion in capital projects underway over the the next five years and continues to evaluate additional organic growth opportunities. This should support ongoing dividend increases of at least 6% per year. The stock provides a yield of 4%. Fortis has raised the payout every year for more than four decades.

The shares currently trade for $41.50 compared to $48 last November.

Is one a better bet?

Enbridge and Fortis are solid companies with strong capital programs that should boost cash flow and support growing dividends in the coming years. Enbridge appears more oversold right now, especially given the good progress the company has made on the turnaround efforts. If you only choose one, I would probably go with the oil and gas pipeline giant today.

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