Buy These Top Discounted Dividend Stocks in Your TFSA

Description

You have $6,000 of contribution room for your Tax-Free Savings Account (TFSA) this year. Don’t forget that you may also have remaining contribution room or withdrawal amounts you made from previous years that will add to your contribution room this year.

Use your TFSA contribution room for top dividend stocks, such as **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) and **Enbridge** (TSX:ENB)(NYSE:ENB) to outperform the market in the long run.

Buy Brookfield Asset Management and hold it for a long time

Real assets used to be only accessible by institutional investors. Today, retail investors like you and me are lucky to have access to these lucrative, cash cow assets via Brookfield Asset Management.

Brookfield Asset Management is one of the largest real asset investors in the world. It focuses on investing in real estate, renewable power, infrastructure, and private equity assets around the globe. So, it’s not only diversified geographically, but it’s also diversified by sector.

Image source: Getty Images.

Brookfield Asset Management earns asset management income and performance-based income and aligns its interests with its shareholders by investing its own money in the four core listed partnerships they manage.

The annualized long-term total returns of an investment in Brookfield Asset Management have been more than 12% as long as you invest in the stock when it’s trading at a good value.

Right now, it is at a good value with the stock trading at about a 20% discount, according to the mean 12-month target of analysts from **Thomson Reuters**.

A juicy dividend and stable growth make a good combination

It costs less and is more efficient to transport oil by pipeline than by rail. That's what makes Enbridge's network of critical energy delivery infrastructure valuable. In fact, Enbridge is responsible for transporting roughly a quarter of North America's crude oil and 22% of its natural gas. Additionally, it delivers two billion cubic feet per day of natural gas in Ontario.

Enbridge employs a low-risk business model, in which 98% of its earnings before interest, taxes, depreciation, and amortization are regulated. This means that its cash flow generation is highly predictable.

Volatile commodity prices have had little impact on the company's cash flow generation, which has steadily increased over time. On a per-share basis, Enbridge's cash flow has had some bumps. However, the bumps didn't stop management from increasing the dividend for 23 consecutive years with a 10-year growth rate of about 15%.

Enbridge already increased its quarterly dividend by 10% this year. And it aims to increase its dividend by 10% again next year. With distributable cash flow estimated to increase at a slower rate of 5-7% after 2020, investors can expect slower growth in the dividend in the future.

That said, with a sustainable yield of 6.2% and distributable cash flow growth of, at worst, 5%, long-term investors can still get a very good rate of return of more than 11% in a quality company.

Investor takeaway

Both Brookfield Asset Management and Enbridge are discounted dividend stocks that should be at the top of your list to add to your TFSA right now.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BN (Brookfield)
4. TSX:ENB (Enbridge Inc.)

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