1 Top Buy and Hold Stock Yielding 6% for Every TFSA

Description

An ideal means of building wealth is by making regular contributions to your Tax Free Savings Account (TFSA). Not only does it eliminate the burden of taxation, but it is an ideal vehicle with which to hold stocks with strong growth potential over the long-term so as to take advantage of the power of compounding interest.

Let's take a closer look at one stock that pays regular growing dividends and is poised to soar as it unlocks further value. **Enbridge** (TSX:ENB)(NYSE:ENB) is North America's leading provider of transportation and storage infrastructure to the energy patch. After hiking its dividend by 10% at the end of 2018, it's currently yielding a very impressive 6% and there are indications of further increases ahead.

Business transformation

For some time, Enbridge has been attracting considerable negative attention from short sellers**,** which currently sees it ranked as the sixth most shorted stock on the TSX. While the midstream services giant has certainly had issues with its corporate structure, balance sheet and operations it has undergone a significant transformation since the start of 2018, which has resolved many of those concerns. This includes simplifying its corporate structure by rolling up separately listed entities into a single corporate vehicle, which should reduce costs, maximize tax synergies and bolster Enbridge's credit profile.

The company has also had considerable success with strengthening its balance sheet by reducing debt. During 2018, Enbridge completed $7.8 billion in asset sales, more than double the $3 billion targeted. It intends to use those funds to reduce debt and fund its portfolio of growth projects. Enbridge's debt as at the end of 2018 was 4.7 times EBITDA, and it intends to reduce it further to a manageable 4.5 times EBITDA, giving the company greater financial flexibility.

Enbridge's earnings will continue to grow at a decent clip because of growing demand for the utilization of its pipeline network, which forms a crucial link between Canada's oil patch and vital U.S. refining markets. The midstream services giant is also focused on expanding that network. It completed $7 billion of projects in 2018 with another $16 billion of assets under development.

One of the most important projects under development is the $9 billion Line 3 Replacement Project, which, after some permitting issues, now has an anticipated in-service date for the second half of 2020. The critical nature of that undertaking is demonstrated by Alberta's initial plans to wind down the mandatory oil production cuts introduced in January 2019 once the Line 3 Replacement comes online. That was predicated on the basis that the project on completion will notably increase the volume of bitumen that can be pumped to the U.S., reducing domestic inventories and thereby keeping the discount applied to Canadian heavy oil low.

Why buy Enbridge?

The success Enbridge has had with optimizing its business combined with growing Canadian oil production and new assets commencing operation during 2019 will give earnings a further boost. This has led management to target further dividend growth, advising markets that the payment will grow by 10% annually in 2019 and 2020. That comes on top of 23 years of dividend hikes, indicating that not only is the tasty 6% yield safe, but that Enbridge is also an income-generating machine.

That healthy growth will reward patient long-term investors as they wait for Enbridge's stock to appreciate. With total dividends paid during 2018 amounting to around 50% of the company's distributable cash flow, the dividend is sustainable, especially given that Enbridge's earnings and distributable cash flow will keep expanding.

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