



A Top Dividend Stock for Your TFSA to Buy and Never Sell

Description

The Tax-Free Savings Account (TFSA) is one of the best tools created to help you save some serious wealth for your future. Here's a [top dividend stock you can buy in your TFSA](#) and never sell to build wealth, but also generate a healthy, growing income stream in the meantime.

If you don't spend the principal and add to the stock when it's good value, your income stream from the quality dividend stock can only increase.

A stable business in any environment

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) owns and operates critical and essential infrastructure assets around the world. Its infrastructure assets facilitate the movement and storage of energy, water, freight, passengers, and data. In other words, its products and services are needed in any economic environment.

It's always on the lookout for acquisitions with which to expand its portfolio, as well as booking profit in mature assets to recycle into better opportunities. For example, in the first quarter, it acquired a natural gas pipeline in India and two data centres.

It's no wonder that Brookfield Infrastructure's funds-from-operations per unit tend to either remain stable or increase each year. Combined with a sustainable payout ratio, the company offers a safe and growing dividend.



A safe and juicy dividend

You can get +70% more in income than the market thanks to Brookfield Infrastructure's juicy yield of 4.8% compared to the market's yield of 2.8%.

Brookfield Infrastructure has maintained a funds-from-operations payout ratio of 50-60% in the past. Its 2018 payout ratio was about 60%. That is at the high end of its historical payout ratio range. However, going forward, management believes a payout ratio of 60-70% is suitable.

This could be because the utility's scale is much larger than it was previously, and it's able to generate greater excess cash flow from its assets to reinvest back into the business than in the past. For example, the company has more than doubled its total assets compared to four years ago.

Brookfield Infrastructure reported its first-quarter results on Friday. It experienced strong organic growth of 10% for its funds from operations, but on a per-unit basis, it was a 3.5% increase. The payout ratio was 71% for the quarter — 69% were it not for the impact of foreign exchange.

The payout ratio should be more normalized on a full-year basis. As such, we're not worried that the payout ratio is past the high end of the management's estimated range for a single quarter, and we believe that the quality utility's dividend is sustainable.

Brookfield Infrastructure's cash distribution can consist of interest, dividend, other income, and return of capital. By holding the stock in a TFSA, you don't have to worry about the tax implications of that. From personal experience, the stock tends to have a foreign withholding tax on a very puny portion of the cash distribution that's really not worth mentioning and is essentially negligible.

Foolish takeaway

Brookfield Infrastructure is a high EBITDA margin utility business that generates stable cash flow. It's very well managed and has increased its cash distribution per unit by about 11% per year on average since 2009. Going forward, you can expect the utility to continue increasing its payout year after year. As such, we recommend Brookfield Infrastructure as a [top dividend stock for your TFSA](#) to buy

(especially on dips) and never sell.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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