Sit Back, Buy Enbridge (TSX:ENB) and Let Your Money Work for You

Description

As investors, one of the things that we aim to do is to get our money working for us so we don't have to.

Passive income to take us into our retirement years, passive income to replace our employment income.

Getting this to happen sooner rather than later is always desirable, and using the different tax-sheltered accounts to our advantage can make this happen.

RRSPs, which allow you to deduct your contributions at income tax time, give you the benefit of reducing taxes owing, as well as the benefit of sheltering any interest and dividend income earned as well as capital gains taxes until retirement at a time when tax rates will theoretically be lower.

TFSAs, which are exempt from taxes now and forever, have the added benefit of flexibility to withdraw at any time without paying taxes on the money. So your interest and dividend income, as well as capital gains remain tax sheltered, period.

Preferably, we can come as close to maximizing both tax-sheltering investment accounts; by buying the right stocks, we can sit back and let our money do the work for us.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is one of those "right" stocks that I am referring to.

As one of Canada's energy transportation and distribution giant with oil and gas assets and operations in North America and renewable assets in North America and Europe, Enbridge provides investors with stability, predictability, and dividend income.

And with its goals of increasing its pipeline capacity and growth, and of moving toward a self-funded model, Enbridge is an energy behemoth that has deservedly outperformed recently — one that I believe will continue to outperform, offering investors a low-risk way to passive income.

Line 3 replacement setback

While Enbridge's Line 3 Replacement project completion date has been pushed back to the second half of 2020, for a delay of almost one year, the cost overrun because of this will not be material to the project's overall economics, and the Canadian portion of the line is running below cost estimates, with a May 2019 completion date.

This delay has provided investors with stock price weakness that has proven to be a good long-term buying opportunity.

Financial results ahead of expectations

In the first quarter of 2019, Enbridge reported cash flow per share of $1.37 compared to consensus expectations of $1.23 per share, as strong results from the liquids pipelines and energy services boosted the quarter that has seen Enbridge continue on its drive to reducing leverage and meeting its guidance for 2019 and 2020.

Enbridge's dividend yield is currently 5.84%.

Since 1996, investors have enjoyed 22 years of dividend increases, with a 33% dividend increase in 2015, a 14% increase in 2016, a 15% increase in 2017, and a 10% increase in 2018.

And management expects the dividend to increase 10% next year and 5% to 7% thereafter.

Final thoughts

With a total of $16 billion worth of projects coming on stream in 2019 and 2020, Enbridge is well set up for a continued stock price recovery.

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