



A Forever Dividend Stock That's Ideal for TFSA Investors

Description

If you already have a Tax-Free Savings Account (TFSA), then you know just how valuable this account can be. Instead of paying the government every time you make a trade, investors are able to put away up to \$63,500 as of this year. That way, everything you're making goes straight into your pocket.

But that doesn't mean it's an easy decision when it comes to choosing stocks. And frankly, most of us are pretty lazy and want a stock we can buy and forget about for years, if not decades.

That's why it's important to find a stock that offers the opportunity of long-term growth, while also providing investors with a dividend. That dividend will give you passive income that you can choose to either reinvest into your shares or put aside for anything you want, like a trip, taxes, or just eating out every now and again.

If I'm choosing one stock today, that stock has to be **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)). Not only does the stock check off every item on our TFSA list, but its share price has pretty much flat-lined in the last month, providing investors with the perfect opportunity to buy. Let's look at why.

Growth

There are two parts of Pembina's growth I'd like to bring your attention to. The first is the obvious: share price growth. In the last 20 years, this stock has increased by 453%, and at a [fairly steady pace, too](#). The stock reached an all-time high back in August of 2014 before dropping over the next year.

Since 2015, the stock has rebounded to where it was five years ago at an increase of almost 60%. If you'd picked up the stock five years ago and invested about \$10,000, you'd be looking at a TFSA of \$15,837 at the time of writing this article.

But what about future growth? That's the next part of the equation. Pembina has been steady as a rail when it comes to pumping out total returns, producing more than 12% annually. This comes from its pipeline system with a total capacity of three million barrels of oil that serve North America. But they haven't stopped there.

Pembina has put aside \$5.5 billion of secured projects that are currently under development and expected to be up and running between 2019 and 2023. This increase in transportation, storage, and processing to Pembina's infrastructure will mean an increase in the company's bottom line overall. In fact, Pembina has forecast that for 2019 its adjusted EBITDA could rise to 7.5% year over year, just over \$3 billion.

Dividend

Between Pembina's future growth plans and already solid infrastructure, investors can look forward to several decades of cash flow to feed into the company's stable dividend. All this growth means the company will be able to increase that dividend for years to come, which it already did back in May by 5.3%.

This is exactly what investors should be looking for: a steady increase in dividend yield that can be sustained over the long term. Pembina is the definition of this outlook. Its contracts provide 86% of its earnings, with the majority being long-term contracts. Of its total cash flow, 57% is paid out. And finally, for eight straight years, the company has increased its dividend for a 4.1% compound annual rate in that time.

As of writing, the company's dividend yield is 4.98% — quite substantial for a pipeline company. Over the next five years, analysts expect that dividend to grow by 10.53% on average. That would mean as of today, a \$10,000 investment could see you make just over [\\$500 per year](#), and that would only increase as the years go on.

Foolish takeaway

If you've been looking for a long-term growth stock that provides a stable yet rewarding dividend, Pembina is for you. If you were to invest just \$10,000 today, not only would you receive that \$500 per year, but you could be looking at more than \$13,000 in the next 12 months according to analysts. If you look at the last five years, that number could increase to \$15,768. That's why now couldn't be a better time to buy up this stock, before it absolutely explodes.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/09/07

Date Created

2019/06/16

Author

alegategolfe

default watermark

default watermark