



Unlock the Full Power of Your TFSA

Description

The Tax-Free Savings Account (TFSA) helps investors save taxes. So, investors can achieve their financial goals faster without the hindrance of taxes.

Inside a TFSA, you can put cash, invest in guaranteed income certificates (GICs), government and corporate bonds, stocks, mutual funds, and exchange-traded funds (ETFs).

However, cash, GIC, and bond investments have historically generated lower returns than stocks. So, if you want to unlock the full power of your TFSA, you should consider investing in stocks or ETFs that are focused on equities. Due to their high MER fees, mutual funds will likely generate lower returns than their ETF counterparts.

Ultimately, you want to save the most taxes and seek the highest returns in your TFSA without taking on excessive risk. You can do that by investing early and regularly with a long investment horizon.

Invest early and regularly

This year, we were gifted \$6,000 of contribution room in our TFSAs. Humans are habitual. Therefore, it'd be easier to save and contribute \$500 a month to your TFSA than trying to come up with \$6,000 at the end of the year.

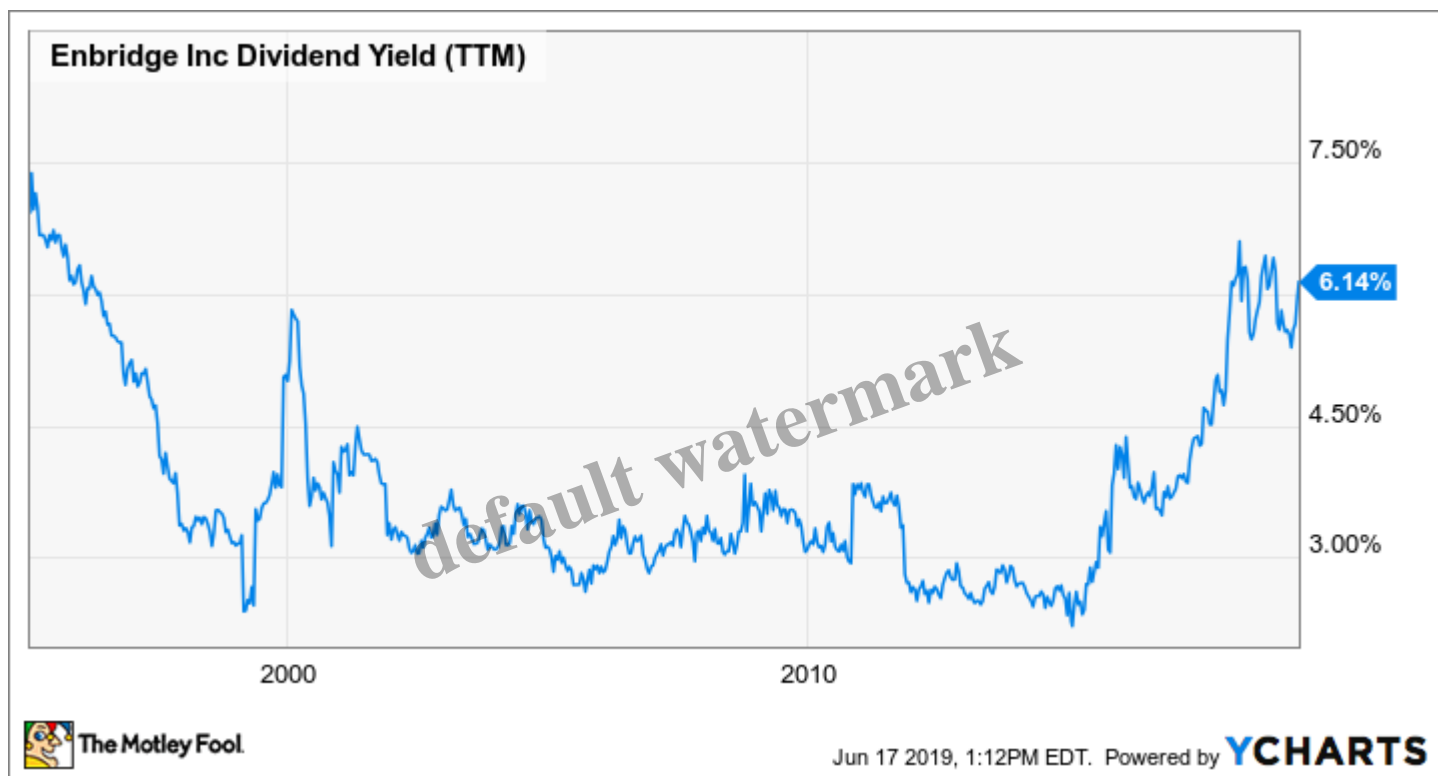
If you had contributed the full amount of \$5,000-\$10,000 in your TFSA every year since the program began in 2009, you would save up to \$63,500 by the end of the year. And if you achieved very modest returns of 6% compounded at the end of each year, you would be sitting on more than \$85,200.

Early on in investing, the amount you save carries more weight than your investment returns. However, the longer you invest for, the more your returns will contribute to your net worth. So, stick to a long-term investment plan!

Long investment horizon

It would be best if you have a long investment horizon because then you can ignore the short-term gyrations of the market and focus on owning wonderful businesses for a long time.

Now is a great long-term entry point in the wonderful business, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). It starts you off with a safe yield of 6.4% right off the bat. As the graph below shows, this is the highest yield the company has had to offer in a long time.



ENB Dividend Yield (TTM) data by YCharts.

It's the largest energy infrastructure company in North America, which is essential to the North American energy sector and economy by transporting 25% and 22%, respectively, of its crude oil and natural gas.

Enbridge's cash flow is virtually regulated, such that it's able to generate very predictable cash flows and safe dividends irrespective of the underlying volatile commodity prices.

Not surprisingly, the energy leader is [a proven dividend payer](#). It has increased its dividend for 23 years straight, and it has the ability to continue increasing its dividend.

Foolish takeaway

Unlock the full power of your TFSA. Invest early and regularly in wonderful businesses when they're attractively priced. Right now, investors should be thrilled to find long-term dividend stock [Enbridge](#) to be trading at a 15% discount from the consensus target. To top it off, it offers a historically high yield of

6.4%!

CATEGORY

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

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

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