Dividend Investors: Should You Buy Fortis (TSX:FTS) or Enbridge (TSX:ENB) Stock Today?

Description

Investors are drawn to top Canadian dividend stocks for a number of reasons.

Reliable dividend-growth stocks are attractive picks for income investors, such as retirees, who rely on the distributions in combination with their pension payments. Holding the stocks in a TFSA is a smart strategy in this situation.

Younger investors might buy dividend stocks as part of their retirement-planning process. Holding the stocks inside RRSP or TFSA accounts and using the distributions to buy new shares can help build a substantial retirement fund over the course of a few decades.

Let’s take a look at **Fortis** (TSX:FTS)(NYSE:FTS) and **Enbridge** (TSXENB)(NYSE:ENB) to see if one deserves to be on your buy list right now.

Fortis

Fortis is a North American utility company with electric transmission, power generation, and natural gas distribution assets located in the United States, Canada, and the Caribbean.

The company has come a long way over the past 100 years, starting out as a small power provide in eastern Canada to become a powerhouse with $50 billion in assets today. Management does a good job of growing the businesses through strategic acquisitions and investments in the existing businesses.

The current capital program will see the company invest about $3.5 billion per year over the next four years. As a result, the increase in the rate base should support dividend hikes in the order of 6% per year through 2023. The current payout provides a yield of 3.4%.

Enbridge

Enbridge is a giant in the North American energy infrastructure sector. The company transports a significant part of the oil, natural gas, and gas liquids that go from producers to their customers across Canada and throughout the United States.

The stock took a hit in recent years amid investor concern regarding growth opportunities. In addition, the market started to get a bit uncomfortable with the balance sheet. Management has since addressed a number of the internal issues, and while the stock has recovered from a 2018 around $38 to $46.50, more upside should be on the way.

Enbridge has already signed deals to monetize $8 billion in non-core assets and simplified its structure through the buyback of four subsidiaries. It is now able to self-fund the ongoing $16 billion in capital projects and the dividend. Big pipeline developments might be harder to get built, but Enbridge has opportunities for smaller add-on projects throughout its asset base.

The board hiked the distribution by 10% this year. Another 10% increase is expected for 2020 and then 5-7% per year over the medium term. At the time of writing, investors can pick up a 6.3% yield.

Is one more attractive?

Both stocks should continue to be reliable buy-and-hold dividend picks. At this point, I would probably make Enbridge the first choice as an income pick and split a new investment between the two stocks for a retirement fund.

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