TFSA Investors: 2 Cheap Dividend Stocks in the TSX Index to Own for Decades

Description

The **TSX Index** is trading near its 12-month highs and investors are wondering which stocks are still priced at an attractive level and offer reliable dividends that should continue to grow.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) and **Bank of Montreal** (TSX:BMO) (NYSE:BMO) to see why they might be interesting picks right now for your TFSA portfolio.

Enbridge

Enbridge is a leader in the North American energy infrastructure sector, with thousands of kilometres of pipelines transporting a significant chunk of the Canadian and U.S. crude oil and natural gas that is produced by energy companies and used by homeowners and businesses.

Enbridge also has power generation assets through its renewable energy division.

The company's $37 billion purchase of Spectra Energy in 2017 created a giant, but investors had some concerns about the results on the balance sheet and the complicated structure of the company.

Management has done a good job of addressing the issues through the monetization of nearly $8 billion in non-core assets and the purchase of four previous subsidiaries, bringing all of the businesses under one roof.

Enbridge raised the dividend by 10% in 2019 and is expected to increase the payout by at least 5% per year over medium term, supported by anticipated annual increases in distributable cash flow of 5-7%.

The company can self-fund its current $19 billion capital program, and investors should see new tuck-in projects emerge across the vast asset base. Enbridge is large enough that it can also drive growth through strategic acquisitions.

The stock trades at $47 compared to the high above $65 it hit in 2015. Investors who buy today can pick up a solid 6.3% yield with a shot at some nice upside in the coming years.

Bank of Montreal

Bank of Montreal has a large U.S. operation that provides a nice revenue hedge against any potential downturn in the Canadian economy.

The bank stocks have seen through some unusual volatility in the past year, with pullbacks and subsequent rallies caused by shifting market concerns regarding housing risks and threats of a global economic downturn.

A plunge in bond rates in recent months is driving down mortgage rates, which should help offset concerns that home prices are headed for a crash.

Fixed-rate mortgages are much cheaper now than they were at the start of the year, which is helping new buyers enter the market while giving existing homeowners a chance to renew at affordable rates.

At the same time, the market is starting to feel better about a potential trade deal between China and the United States in 2020.

Bank of Montreal's share price is up about 10% from the August low, but still appears cheap at just 10.4 times trailing earnings.

The bank has paid investors a dividend every year since 1829, and the strong track record should continue for decades. At today's stock price of $98 at writing the stock provides a solid 4.2% yield.

The bottom line

Enbridge and Bank of Montreal are top-quality companies with attractive dividends that should continue to grow at a steady pace. If you're searching for undervalued dividend picks to add to your TFSA portfolio, these stocks deserve to be on your radar right now.

If you only buy one, I would probably make Enbridge the first choice.

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