# TFSA Investors: $63,500 in this Dividend Stock Pays $4,000 a Year

### Description

In 2019, it's possible to deposit up to $63,500 in a TFSA in a single year.

That's because TFSA contribution room is cumulative, and $63,500 is the amount of space that has accumulated since TFSAs began. So even with the TFSA's paltry 2019 contribution limit, the *total* amount a new account holder can deposit is substantial.



In fact, it's enough that you could generate several thousand dollars a year in dividends alone. At the TSX's average historical dividend yield (2.39%), you'd generate about $1,500 a year. That's a nice little bonus in itself, but you can do much better. In fact, there's one TSX energy stock with such a high yield that you could earn $4,000 a year tax-free by holding it in your TFSA.

## Enbridge

**Enbridge Inc** (TSX:ENB)(NYSE:ENB) is Canada's largest pipeline company. Operating a pipeline network that stretches over 17,000 miles, it runs the world's largest and most complex pipeline network. Even with its existing infrastructure, Enbridge has managed to increase its earnings from $250 million to $2.8 billion over four years.

But now, with its Line III replacement/expansion going ahead, it will be able to earn much more. A major infrastructure upgrade, the Line III replacement will take the line's capacity to over 760,000 barrels per day. It's a recipe for sustained growth and profitability – especially when you consider that Enbridge does not depend on strong oil to make money.

## Why the yield is so high

At current prices Enbridge's yield is 6.3% – almost unbelievably high. There are two reasons for this: first, years of falling share prices; and, second, years of increasing payouts.

Like most oil stocks, ENB got hit hard in the 2014 oil collapse. However, this was mostly a matter of guilt by association. As a pipeline, Enbridge charges set fees for shipments; it doesn't take a percentage of oil revenue. So its earnings don't depend on the price of oil.

Ever since 2014, Enbridge has been growing its earnings consistently, but its stock is still very cheap, courtesy of the "tar sands stigma." As a result, ENB is an ultra-high yield stock whose payout is actually pretty safe. This is unusual because extremely high yields usually raise questions about high payout ratios or poor financial management.

## A rising payout

Enbridge's dividend payouts are not only high, but rising. Over the past year, management hiked the payout from $0.67 to $0.74. That's a big increase. And it's only the latest in a long history of such increases. Over the past 20 years, Enbridge has increased its dividend by 12% a year on average.

## Foolish takeaway

Over the past five years, oil & gas stocks have become the black sheep of the TSX family. For the most part, justifiably so. When you make money by selling oil, you'll take a hit when oil is weak. And oil has been pretty weak over the past half-decade. Enbridge is the one exception to the rule. As a company that ships oil instead of selling it, its income stream is unusually safe for an oil stock. So the $4,000 a year you can earn from it is not only safe, but likely to grow.



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**Date**
2025/09/18
**Date Created**
2019/10/03

**Author**
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