2 Cash-Machine Stocks for Your TFSA

Description

Dividend stocks are perfect for TFSAs. That's because those dividends, which would normally be taxed heavily, accrue tax-free in a TFSA. Plus, you can also withdraw the dividends with no tax implications, or you could simply use them to buy even more stock. Either way, you get the full benefit of your dividends, no matter how you decide to spend them.

If you're going to fill your TFSA with dividend stocks, you have to balance two priorities: income and stability.

You see, many stocks pay dividends as high as 10%. Earning a passive 10% income is incredible, but all too often, that enticing yield is unable to stand the test of time. Nearly every year, sky-high dividends like this end up being slashed in half or worse, sending the stock price spiraling.

Demanding a lower yield can make the dividend much more sustainable. After all, it's much easier to afford a 5% dividend than a 10% dividend. The cost to you, however, is a smaller income stream.

Balancing income *potential* and income *stability* can be difficult, but it's possible to maximize both concerns by investing in a specific type of business.

Welcome to pipelines

Pipelines are incredible businesses. If you've ever wanted to own a monopoly, this is your chance.

When an energy explorer discovers oil or gas, it has to consider dozens of factors. How expensive will it be to drill? What are the regulatory concerns? What type of financing needs to be lined up? Once of the biggest questions concerns the go-to-market strategy. How will this oil or gas make its way to the end user?

Before a fossil fuel can be put into your car or used to heat your home, it often must undergo some sort of refinement. Oil sands, for example, require a significant amount of refinement, often using specialized equipment. So, somehow, energy companies must find a way to transport huge volumes of oil gas to refineries each and every day.

Shipping via truck is often slow, inefficient, dangerous, and uneconomical. Additionally, road systems are often non-existent in areas where oil and gas are found. Shipping via boat can ease these pressures, but again, usable seaports aren't typically found where fossil fuels are produced. Trains are superior to both ships and trucks because they combine the best of both: they can be built nearly anywhere on land but are significantly cheaper than highway transportation.

The best form of transportation, however, is via pipeline. Pipelines can go anywhere railroads can go but can transport significantly more volumes than a series of trains, with fewer interruptions. They can also be safer than trains in terms of environmental concerns and human life. For these reasons, pipelines are the number one preference for nearly every energy company in Canada. That's a huge benefit for companies like **Enbridge** and **Inter Pipeline**.

Every day, these companies transport millions of barrels of oil and natural gas to refineries and other end-markets. Right now, as you're reading this, their pipelines are transporting *even more* energy. Second by second, these companies mint money. Most of this cash is redirected back to shareholders in the form of dividends. Inter Pipeline pays a 7.7% dividend, while Enbridge's payout is around 6.1%.

If you want to fill your TFSA with tax-free dividends that beat the market yet provide high levels of safety, pipelines stocks like Enbridge and Inter Pipeline are the way to go.

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