



TFSA Investors: 2 Canadian DRIP Stocks to Generate Wealth in 2020

Description

TFSA (Tax-Free Savings Accounts) should be exploited by Canadians to build wealth over the long term. It's a great way for investors over the age of 18 to save money tax-free throughout their lifetimes.

Any amount invested in the account, as well as any income earned through investments, dividends, and capital gains, is generally tax-free, even when it is withdrawn.

This is where smart investors can use the power of DRIP (dividend reinvestment plan) and compound interest to grow their wealth. It helps that the TFSA limit has increased to \$69,500, which ensures you can put away a tidy sum.

Two companies that offer good dividend payouts and have substantial growth potential are **Parkland Fuel** ([TSX:PKI](#)) and **Inter Pipeline** (TSX:IPL).

Growth and dividends

Over the last few years, thanks to its acquisitions, Parkland is now the largest fuel distributor in Canada and the Caribbean. The company delivered solid third-quarter results for 2019.

Adjusted EBITDA came in at \$302 million and net earnings at \$24 million (\$0.16 per share). Parkland expects to deliver full-year adjusted EBITDA of \$1.24 billion (+/- 5%).

Parkland achieved run-rate annual synergies of approximately \$160 million from the 2017 Ultramar and **Chevron** acquisitions and is on track to reach synergies of approximately \$180 million by the end of 2020.

Of the seven analysts tracking the stock, two have a "strong buy" recommendation and four have a "buy" call with one analyst recommending a 'hold'.

Parkland has a dividend yield of 2.5% and offers a DRIP plan that allows its shareholders reinvest the dividend to acquire new shares at no extra cost.

Shareholders also receive a 5% discount on all stock issued through the DRIP plan. Analysts have given an average target price of \$51.92 — an upside of almost 12% from current prices.

Eligible shareholders of Inter Pipeline have the option to reinvest their dividends in new shares at a discount of between 0% and 5% to the average market price on the applicable dividend payment date under the dividend reinvestment component; such new shares will be credited to the shareholder's account.

Inter Pipeline hasn't been a shareholder favourite recently since it operates in the energy space in Canada, which is going through a very rough patch.

More eyebrows were raised when the [company didn't raise dividends this year](#). However, you have to keep in mind that Inter Pipeline has raised dividends every year for the last 11 years barring this one.

The company plans to sell off its bulk liquid storage assets in Europe to fund its ambitious \$3.5 billion Heartland Petrochemical Complex. However, you shouldn't be worried about the dividend payout as the company has a stable balance sheet.

To give you context, in July 2019 Hong Kong-based **CK Infrastructure Holdings** made a \$12.4 billion offer to Inter Pipeline that translated into a per-share offer of \$30. The company didn't enter into negotiations with CK. The stock is currently trading at \$22.6 at writing.

Inter Pipeline has a dividend payout of 7.6%. When the energy sector returns to favour, the stock price will rise. Until then, it might be a very good time to add the stock to your portfolio and take advantage of the juicy dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CVX (Chevron Corporation)
2. TSX:PKI (Parkland Fuel Corporation)

PARTNER-FEEDS

1. Business Insider
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