A Top Stock Yielding 6% That TFSA Investors Shouldn't Miss in 2020

Description

In the big universe of dividend stocks, it gets tough for new investors to pick the right stocks for their Tax-Free Savings Accounts (TFSAs). But if you understand the basic tools to analyze what makes dividend stocks good or bad investments, that task could become quite easy.

First, any dividend stock you buy should have a track record of paying dividends. Though past performance doesn't guarantee future returns, this practice gives us a good clue about the management's philosophy about rewarding long-term investors.

Another important trait that makes a stock a good buy-and-hold candidate is the company's position in its sector. Having a vast competitive advantage — a durable economic moat: a term coined by Warren Buffett — to identify solid investments and recurring cash flows are some of the top qualities that you should look for in an income-producing stock.

Judging by these criteria, I find Calgary-based **Enbridge** (TSX:ENB)(NYSE:ENB) is well positioned to be a part of your TFSA portfolio in 2020. Let's take a deeper look.

An energy leader in North America

North America's largest pipeline operator Enbridge is one of my favourite picks among stocks. It offers a decent yield and can be a profitable bet in 2020.

The company has developed robust energy infrastructure in North America to take advantage of the region's strong energy economy. Enbridge operates across North America, fuelling the economy and fulfilling consumers' energy needs. It moves nearly two-thirds of Canada's crude oil exports to the U.S. In addition, it transports about 20% of the natural gas consumed in the U.S. and operates North America's third-largest natural gas utility by consumer count.

That dominant position is hard to challenge by any new entrant, especially when building a network of pipelines has become extremely contentious issue due to strong resistance by environmental groups.

A growing income stream

One of the biggest attractions for buying Enbridge stock for your TFSA is that it pays a dividend that grows each year. The company has more than 60 years of history of rewarding investors, and there is a strong possibility that this pipeline operator will continue to do so.

Early this month, Enbridge announced it will hike its quarterly payout by about 10% a share, effective March 1, making good on the company’s stated policy of offering about 10% raise in payouts each year.

After the increase, investors will get $0.81-a-share quarterly payout, which translates into a 6.2% dividend yield annually. Due to this strong income potential, North America’s large institutional investors own Enbridge stock and don’t want to sell it.

Enbridge is also undertaking several expansion projects that will further add value to its business. One of them is the Line 3 expansion, which will double the capacity of the existing pipeline that was built in the 1960s. President and CEO Al Monaco said Enbridge continues to anticipate a strong financial return on Line 3, despite the cost of increased community and regulatory engagement on large-scale projects.

Enbridge expects distributable cash flow for each share for 2020 to be in the range of $4.50-$4.80. Projected earnings before interest, taxes, depreciation, and amortization are around $13.7 billion.

Bottom line

Enbridge is a top dividend to buy for your TFSA. This is the kind of stock you should keep in your portfolio for the long term to earn a growing income stream.

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