TFSA Investors: $69,500 in This Dividend Stock Pays $4,336 a Year

Description

In 2020, Tax-Free Savings Accounts (TFSAs) have $69,500 in total contribution room. That's enough money to generate a significant income stream. With $69,500 invested, you could generate $2,780 a year at an average portfolio yield of 4%.

That's not bad. But with the right stocks, you could do much better. In fact, it's possible to generate nearly $5,000 a year in dividends in your TFSA with some high-yield stocks out there. Although most ultra-high-yield stocks have questionable payout ratios or justifiably depressed stock prices, many of them are quite solid. In this article, I'll explore one dividend stock with solid growth metrics that could generate $4,336 a year if you invest your full $69,500 TFSA balance in it.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is Canada's largest pipeline company. It ships crude oil and LNG all over North America, especially the American Midwest. Over the past few years, the company has grown dramatically, even with the flatish price of crude and Alberta's oil curtailment. From 2015 to 2018, Enbridge's net income grew from $250 million to $2.8 billion. In its most recent *quarter,* the company generated $3.1 billion in adjusted EBITDA. That's pretty impressive growth, and thanks to two projects the company has in the works, it could continue.

Two big projects in the works

Enbridge is currently working on two infrastructure projects that could take its earnings to the next level: the Line III replacement and the Line V tunnel.

Both of these projects are infrastructure upgrades that will replace existing infrastructure, making it safer and increasing transportation capacity. Both projects have faced legal challenges but appear to be breaking through the resistance. Line III had to re-submit an environmental impact statement, but also had a court refuse to hear further challenges to its construction. Line V had an agreement to proceed with construction with Michigan's previous government; Enbridge is now fighting a court battle to ensure that the agreement is honoured by the new government. Both projects have made considerable progress and will probably go ahead in the long run.

Growth with or without the new projects

If Line III and Line V go ahead, they'll boost Enbridge's bottom line significantly.

However, the company has been growing even without these infrastructure upgrades in place. As previously mentioned, the company grew its earnings from $250 million to $2.8 billion in just four years, and recently produced $3.1 billion in adjusted EBITDA in a single quarter. These results happened even with all the delays facing Enbridge's infrastructure projects. Most likely, Line III and Line V will both get their infrastructure upgrades but will probably be delayed until well into the 2020s. That's no reason to wait until then to buy the stock, though, as this company has shown it can grow organically, even with the infrastructure it already has in place.

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