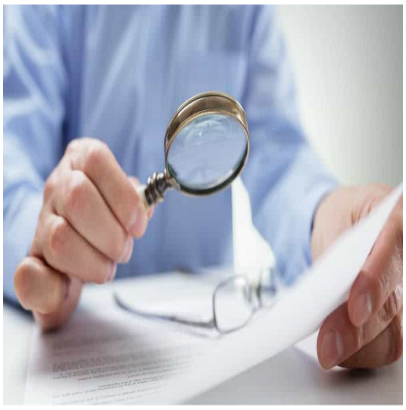

TFSA Investors! Want Double-Digit Returns?

Description

Some of the most lucrative options on the market today are in the energy sector. Pipeline companies, in particular, have long been viewed as superb investments for income-seeking investors with more long-term objectives.

One such example is **Enbridge** (TSX:ENB)(NYSE:ENB). Here are a few compelling reasons why this stock should be on the radar of nearly every investor.

Some background

To discuss the investment opportunity that Enbridge poses, let's first take a look back a few years. Back in 2016, Enbridge purchased Houston-based Spectra Energy in a US$28 billion megadeal.

Enbridge took on a considerable amount of debt to complete the transaction, and a variety of other external factors such as the Alberta Oil sands fires, and the drop in oil prices, weighed heavily on the company.

Enbridge then moved to offload some assets to bolster its balance sheet while also making necessary changes to restructure itself to leverage changes made to U.S. tax law, but those efforts were done after the stock already took a harsh beating.

Investors that bought Enbridge from late 2015 through early 2016, or during a similar lull in 2018, are likely sitting on handsome double-digit gains today.

Those that have yet to jump on board now might be a good time to join the party.

Enbridge = passive income + strong gains

One of the first things that investors should note is that Enbridge has a massive pipeline network that carries a huge chunk of Canada's crude exports to the U.S. as well as similarly impressive natural gas pipeline that hauls a fifth of all the natural gas consumed by the U.S.

For those who are unfamiliar with the pipeline business model, think of it more like a toll-road. Customers pay for access to that toll road, and in the case of the pipeline, that charge is based on the volume of the crude traversing the network, and not the price of the commodity being transported.

This is a huge oversight by many would-be investors, as it effectively means that Enbridge is in many ways immune to the volatility of oil prices.

The end result is a steady stream of recurring revenue to Enbridge, which the company then passes on to customers in the form of a handsome quarterly dividend (more on that in a moment).

The other unique point is that Enbridge continues to develop that network, both through acquisitions and expansion initiatives. The company has a multi-billion dollar backlog of shovel-ready projects, all of which is going to expand that already impressive and enviable toll-road network.

Turning back to Enbridge's dividend, the company offers an impressive quarterly payout that currently provides an ample 6.02% yield. Not only is that yield one of the better-paying (and defensive) returns on the market, but Enbridge continues to provide solid annual upticks to that dividend.

By example, Enbridge recently announced an impressive 9.8% bump to the dividend for 2020, representing the 25th consecutive year of increases.

Final thoughts

Few investments offer both growth and income-earning potential. Fewer can attest to having a sizable moat that is defensive enough to withstand market volatility while also investing in growth. Enbridge is an excellent long-term pick that meets the needs of long-term investors everywhere. Buy it, hold it and watch your TFSA grow.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. TSX:ENB (Enbridge Inc.)

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