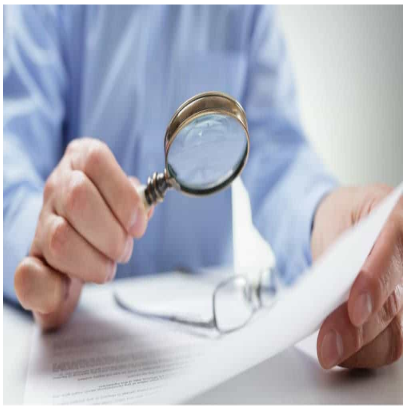

Enbridge (TSX:ENB) vs. Fortis (TSX:FTS): Which Stock Is Better for Your TFSA?

Description

Utilities stocks are among the safest avenues for investors who are seeking shelter from the coronavirus-induced sell-off in markets these days. Utilities are a defensive play in a market where a steep correction is taking place. The main reason investors flock to these companies is because it's highly unlikely that demand for water, gas, or electricity will plunge, even when the economy is facing a tough time.

Many utilities also pay dividends, allowing their investors to earn a bond-like income, even if the companies' share prices don't appreciate much. With the bond yield hitting a record low after this week's sharp sell-off, the utility stocks look even more appealing.

In North America, there are many top utility stocks to consider if you're thinking of adding safety to your portfolio. Let's analyze **Fortis** (TSX:FTS)(NYSE:FTS) and **Enbridge** (TSX:ENB)(NYSE:ENB) to find out which one is a better option for your Tax-Free Saving Account (TFSA).

Fortis

St. John's-based Fortis is a leader in the North American utility industry with assets of over $53 billion and 2019 revenue of $8.8 billion. The company serves customers in five Canadian provinces, nine U.S. states, and three Caribbean countries. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

While picking a dividend stock, one important consideration should be how often you are going to get a raise in your income. More dividends mean you'll be able to re-invest to buy more shares and multiply your wealth quickly.

With a dividend yield of 3.27% and about 6% expected growth in its annual dividend payouts through 2024, Fortis stock is a solid addition in your TFSA portfolio. With growing dividends, you also need stability in your return. Fortis has done a good job returning cash to its investors. The company has increased its dividend payout for 46 consecutive years.

Enbridge

Enbridge is another strong candidate for your long-term income portfolio. The Toronto-based utility operates the world's longest crude oil and liquids transportation system, which insulates it from the cyclical nature of commodity markets.

The company is a leader in gathering, transportation, processing, and storage of natural gas in North America. After a recent restructuring, Enbridge has become a pure regulated pipeline and utility stock.

Enbridge's stock currently yields 6%. The company has paid dividends for over 65 years. In December, the company hiked its quarterly payout by 9.8% to $0.810. This translates into $3.24 dividend per share on an annualized basis for 2020. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 12.13%.

Which one is better?

Enbridge stock has underperformed Fortis in the past 12 months, as the pipeline operator faces strong resistance to the construction of new pipelines in North America. In that environment, the operator is focusing on expansion, extension, and optimization of its existing assets, taking a low-risk approach for both new projects and for its balance sheet and finances. But this weakness is short term and provides investors a good entry point to lock in its juicy 6% yield.

Having said that, I would prefer dividing investment dollars equally between Fortis and Enbridge and keep both of these dividend payers in my TFSA portfolio.

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2. NYSE:FTS (Fortis Inc.)
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