TFSA Investing: 2 Dividend Stars to Buy!

### Description

When it comes to Tax-Free Savings Account (TFSA) investing, taking a long-term approach is often the best route. This is because over time, the tax savings combine with the power of compounding to provide investors with massive returns.



With recent market volatility at play, most stocks have been trading lower. This should excite long-term investors, as it means that blue-chip stocks can be had for cheap.

In particular, those focused on TFSA investing should be interested in high-dividend blue-chip stocks. It's been shown that over a long horizon, these stocks provide huge total returns.

Today, we'll look at two dividend heavyweights trading on the TSX — one that's a bit more volatile and one that's more on the defensive side of things. Currently, both are offering solid value to investors.

## TFSA investing pick: Enbridge

**Enbridge** (TSX:ENB)(NYSE:ENB) has long been a favourite amongst dividend-hungry investors. It has a great track record for growing its dividend over time.

Currently, Enbridge is yielding 7.41%. Over the past five years, the average yield is closer to 5%. So, investors are able to snag an outsized yield right now.

Of course, there's good reason behind the drop in share price and subsequent rise in the yield. Oil has been hit very hard since February and it's hurting Canadian companies.

Now, Enbridge doesn't directly produce oil, but it transports and distributes it. So, if there's less oil being produced as prices inch lower, it means there's less for Enbridge to transport. At the end of the day, that means less business for Enbridge.

However, investors looking at a very long TFSA investing horizon might not be overly concerned with this short-term issue. But it's certainly something to keep in mind.

If you can stand any potential short-term turbulence, the reward is certainly there in the form of a 7.41% yield.

For someone focused on TFSA investing, that yield is very attractive. Even an investment of $5,000 would generate roughly $370 in tax-free income over one year.

## Fortis

**Fortis** (TSX:FTS)(NYSE:FTS) is a much more defensive stock compared to Enbridge. It also has a phenomenal track record for growing its dividend.

This electric utility company operates with mostly inelastic demand and almost entirely on regulated contracts, which means that business is consistent and predictable for Fortis, even if unexciting.

We've seen Fortis stock stabilise in recent weeks while some other stocks continue to suffer. This could be seen as somewhat of a flight to safety.



However, we all know there's no free lunch in investing. To pay for the stability of Fortis' earnings, you have to give up some dividend yield.

As of writing, Fortis is yielding 3.72%. This figure isn't going to blow anyone's socks off, but it's as rock solid of a yield as you can find.

With the same $5,000 used for TFSA investing, Fortis would generate $186 of tax-free income in a single year. However, you'd have more peace of mind when it comes to the unit share price and underlying balance sheet.

## TFSA investing strategy

Depending on your risk tolerance and outlook on the economy, either one of these stocks could be the right fit for you.

Both Enbridge and Fortis offer positive attributes to aid any TFSA investing strategy.

If you're comfortable with taking on a bit more risk and volatility to snag a higher yield, Enbridge looks attractive. On the other hand, Fortis is the more defensive play and can help preserve your investment.

If you're focused on long-term TFSA investing, be sure to keep an eye on Enbridge and Fortis.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)

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