



TFSA: 2 Heavyweight Dividend Stocks to Hold Forever

Description

The cumulative contribution room in a Tax-Free Savings Account (TFSA) climbed to \$69,500 in 2020. This is assuming that the investor was at least 18 years of age when the TFSA debuted in January 2009. It remains to be seen whether the COVID-19 crisis could spur a change in the annual limit increase. Today, I want to discuss how some of the top dividend stocks can reliably generate income in your TFSA.

In our hypothetical, we will be utilizing \$20,000 in TFSA room to invest in two top TSX dividend stocks.

This dividend stock is on the road to TSX royalty

A dividend king is a stock that has achieved at least 50 consecutive years of dividend growth. As it stands today, the TSX does not yet possess a company with this bragging right. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is on track to change that this decade. Moreover, this St. John's-based utility is a [dividend stock that can be trusted](#) in times of crisis.

In the first quarter, Fortis reaffirmed its five-year capital plan of \$18.8 billion. This is expected to grow its rate base from \$28 billion in 2019 to \$38.4 billion by 2024. In turn, this will drive annual dividend growth of 6% through to the end of this forecast period. The company last increased its quarterly dividend to \$0.4775 per share, representing a 3.6% yield.

Fortis has delivered dividend growth for 47 consecutive years. If this guidance holds, this dividend stock will win its crown in a few short years. Using half of our \$20,000 TFSA cash, we can buy 188 shares of Fortis stock at its last close of \$52.99. This would net TFSA investors roughly \$360 in tax-free income annually.

One energy behemoth that boasts a mouth-watering yield

This next dividend stock is a long way away from a crown, but it still has an impressive history of dividend growth. In early May, I'd suggested that **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) was a [steal](#) for

income investors. The stock has remained flat month over month, but I'm still bullish on Enbridge in June.

Enbridge released its first-quarter 2020 results on May 7. Adjusted earnings rose to \$1.66 billion, or \$0.83 per share, compared to \$1.64 billion, or \$0.81 per share, in the prior year. The company reported record volumes on the Liquids Mainline, as well as strong utilization on its Texas Eastern gas transmission system, which powered its Q1 earnings. Enbridge is an energy infrastructure powerhouse with a massive project pipeline to lean on for years to come.

Shares of Enbridge last had a P/B value of 1.4, which puts it in favourable territory. Enbridge still offers a quarterly dividend of \$0.81 per share, which represents a tasty 7.3% yield. Moreover, Enbridge has achieved dividend growth for 24 straight years. The dividend stock closed at \$44.26 on June 9. With the rest of our TFSA cash, we can purchase 225 shares of Enbridge. That works out to a quarterly tax-free dividend payout of more than \$180.

Overall, these two dividend heavyweights can generate over \$1,000 in annual income in a TFSA that has committed less than 30% of its cumulative room. Both dividend stocks are worth holding for years and decades to come.

CATEGORY

1. Dividend Stocks
2. 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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