TFSA Investors: Should You Buy Enbridge (TSX:ENB) Stock Now?

Description

It's becoming tough for TFSA investors to make decent returns on their investments. Some of the safest assets, such as bonds and GICs, are paying almost nothing due to a low-rate environment.

If you want to make a meaningful return on your TFSA dollars, then you should consider buying stocks — stocks that not only pay regular payouts but offer higher yields.

North America's largest pipeline operator **Enbridge** (TSX:ENB)(NYSE:ENB) is one such stock to consider for your TFSA.

Why Enbridge?

The company operates across North America, fueling the economy and fulfilling consumers' energy needs. Enbridge moves nearly two-thirds of Canada's crude oil exports to the U.S., transports about 20% of the natural gas consumed in the U.S., and operates North America's third-largest natural gas utility.

Enbridge's $37 billion acquisition of Spectra Energy in 2017 has added a growing natural gas business to the utility's portfolio, helping the utility maintain its track record for hiking dividends.

Another factor that makes Enbridge an attractive option for TFSA investors is that the utility is expanding its energy infrastructure businesses.

Over the next two or three years, it plans to invest about $11 billion in commercially secured projects, including oil and gas pipelines, natural gas distribution and storage facilities, and renewable power generation.

Enbridge's renewable portfolio includes stakes in 21 wind farms, four solar facilities, five waste heat recovery plants, a geothermal power facility, and a hydroelectric project.

Growing dividend

Another reason to buy Enbridge for your TFSA is that when interest rates fall, utility stocks become more attractive due to their higher yields.

Enbridge, which currently yields about 7.79% a year, offers quite an attractive risk/reward equation. Its current return is among the best you can earn from Canadian utilities.

According to Enbridge's forecast, it can grow its distributable cash flow per share by about 5-7% annually after 2020 and raise its dividend by a similar amount. Enbridge pays a $0.81-a-share quarterly dividend.

Is Enbridge a safe stock?

That said, it would be unfair to say that Enbridge stock carries no risk when the energy sector is going through big pain after the coronavirus pandemic. If oil doesn't recover, Enbridge might delay some of its development plans.

These big-ticket projects include $2.9 billion to complete the final U.S. section of the Line 3 pipeline, which runs from Alberta to Minnesota, and rebuilding part of a second pipeline, Line 5, in Michigan. Enbridge also plans to spend $1.8 billion on an offshore wind farm in France.

But the latest trend from the oil market suggests that the commodity has hit a bottom in the current downturn and prices are moving higher as producers curb supply.

Bottom line

Research has shown that companies providing basic services outperform in economic downturns and recessions. Enbridge is a good fit in this category. Its stock is well positioned to produce higher returns for your TFSA.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/09/17
Date Created
2020/07/06
Author
hanwar