



## Retirement Income: A Top TFSA Stock to Buy This Summer

### Description

The [Tax-Free Savings Account](#) (TFSA) offers a great way to build your retirement income. One important element of this strategy should be to diversify your holdings within TFSA.

That means not putting your eggs in one basket. You should always try to buy stocks that could provide a hedge when the main market is under pressure. Pursuing a diversification strategy has become more important in this COVID-19 environment when uncertainty is high.

Unfortunately, there aren't many top diversification opportunities available in Canada to TFSA investors. Here, the benchmark index is heavily exposed to energy, mining, and financial stocks.

That's one big reason that TSX over the past 10 years didn't produce much in returns, as commodities remained depressed, forcing investors to look elsewhere.

### A top TFSA stock

Today, I want to introduce to you a top TFSA stock that could fit very well in any diversified portfolio. The Toronto-based **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has a unique business model that allows investors to take exposure to the company's very diversified operations.

BIP owns and operates utilities, transport, energy, and communications infrastructure companies globally. BIP manages a portfolio of about US\$77 billion with assets spanning five continents.

The company manages utilities and power transmission system in North and South America. It has 37 ports in North America, the U.K., Australia, and Europe, and approximately 3,800 kilometres of toll roads in South America and India.

With all these acquisitions in the infrastructure space, the company's main objective is to generate a long-term return of 12-15% on equity, while targeting annual distribution growth of 5-9%.

According to Brookfield, its strategy is to acquire high-quality businesses on a value basis, actively manage operations, and opportunistically sell assets to reinvest capital into the business.

## 470% return

When you look at numbers, there is no doubt that the company has been successfully executing its plan. During the past 10 years, BIP stock has delivered 470% return, including dividends.

After a more than 45% surge since the March dip, BIP stock is trading at \$57.50 with an annual dividend yield of 4.63%. At this level, some analysts don't see much upside potential.

"BIP's risk-averse (long-term contracts) and diversified business model (across industries and geographic locations) offers a stable cash flow stream with solid distribution growth," **Citi** analyst Ryan Levine said in a recent note. "Despite our view on the stability and growth of BIP's cash flow stream, the shares appear appropriately valued."

But if your horizon is long term, BIP's yield still looks attractive for your TFSA, even after the powerful rally.

The reason is that BIP generates predictable and growing cash flows that allow the operator to regularly hike dividends. In Canada, such an ideal combination is hard to find in a single company.

## Bottom line

With its enduring competitive advantage, [BIP is a top stock](#) for any TFSA. These utilities, power lines, and toll roads require a lot of investment, and not everyone can challenge the company's first-mover advantage.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

### PARTNER-FEEDS

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