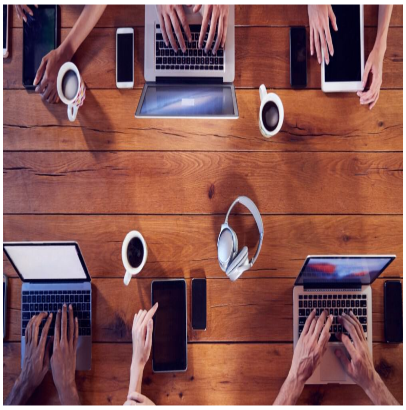

A Top Stock for GenX TFSA Investors

Description

While millennials and boomers get most of the financial media attention these days, the GenX crowd also has financial goals to achieve.

TFSA advantage

The cumulative Tax-Free Savings Account (TFSA) contribution limit now sits at $69,500. That's a decent sum to build a solid personal pension fund. A couple can invest $139,000 and the TFSA limit continues to increase each year.

The TFSA's attractiveness lies in the tax-free properties. Interest, dividends, and capital gains earned inside the TFSA remain beyond the reach of the CRA.

In the next 15-20 years, when the time comes to start receiving Old Age Security, any funds removed from the TFSA portfolio to supplement pension income won't count toward net world income. This is important because the CRA implements a clawback on OAS pension payments when income tops a target threshold.

The TFSA is more flexible than an RRSP. Funds can be removed quickly for an emergency and there is no withholding tax on the withdrawal. This is not the case if you pull money out of TRSP accounts before the age of 65.

Top stocks for GenX investors

Retirement is on the horizon for the GenX crowd. Some people will get there in the next 10 years. The tail end of the group might be another 20 years before they finally throw out the alarm clock.

Given the investing timeline, it makes sense to search for reliable dividend stocks that currently trade at attractive prices. The distributions can be reinvested over the next 10-20 years to take advantage of the compounding effect. When the time comes to retire, the portfolio should generate a solid stream of tax-free income.

Let's take a look at one stock that look cheap right now and should be a strong candidate for a dividend-focused TFSA.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry. With a market capitalization of nearly $90 billion, Enbridge has the financial clout to grow through acquisitions. Its vast portfolio of pipelines, utilities, and power generation assets also lends to organic growth.

The stock is down this year due to a drop in throughput on the oil pipelines. Refineries reduced production of fuel in recent months, resulting in a drop in the need for crude oil supplies. Enbridge's mainline network traditionally operates near capacity and a return to normal volumes should occur in the the next six to 12 months.

In the meantime, investors get an opportunity to buy the stock at a discounted price and pick up a very attractive dividend. At the time of writing, the stock trades just above $43 per share and offers a 7.5% dividend yield.

Enbridge cleaned up its balance sheet before the pandemic, putting it in decent shape to ride out the downturn. The company sold nearly $8 billion in non-core assets and streamlined the company structure.

Management reconfirmed guidance for 2020 distributable cash flow when the Q2 results came out. The second half of the year could surprise to the upside as economic activity rebounds in Canada and the United States.

The stock traded above $57 in February, so there's decent upside potential.

The bottom line

GenX investors have enough time to build substantial self-directed TFSA portfolios for retirement. Enbridge should be a solid pick right now for a diversified portfolio.

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