



## This 1 Buffett Stock Can Give You Passive Income for Lifetime

### Description

The global pandemic has brought in drastic change that includes travel restrictions, lockdown, and social distancing, which is the new normal. The new normal has brought a change in the job market as well. Many lost their jobs, and those who were living paycheck to paycheck had to depend on the Canada Revenue Agency (CRA) to meet their expenses.

The pandemic has reiterated that a single source of income is not enough to fund activities of daily life. This is where one needs to think of passive income. There are ways to earn passive income, like investing in stocks and reaping the benefits at the right time.

All you need to do is set aside some money and spend time to structure passive income, from opening a [Tax-Free Savings Account](#) (TFSA) to planning your investment. It's like a monetary bonus that you don't need to manage. It is a one-time investment to get surplus earnings.

### A stock to bridge your earnings with earnings

Dividend stocks are rock-solid companies that can give you long-tailed dividends. The money invested in such stocks gives you a stable amount at regular intervals. Later, you can reinvest the dividend money in any of the growth stocks whose foundations are sturdy.

One good dividend stock is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), as it can give you consistent dividend income for the coming 20 years. Take a look at its business.

Enbridge builds and manages a pipeline system through which it distributes and transports oil and natural gas in North America and internationally. It also distributes electricity and provides retail energy products. Its main revenue generator is the liquid pipeline segment, gas transmission, and distribution operations.

Enbridge has exposure to the energy sector, which sees a gradual change in trend. This gives it sufficient time to observe the shift in energy trends and invest in the future in a well-planned manner. In the last 25 years, Enbridge increased its investments in natural gas and now earns 42% of its revenue

from this segment.

In the last 25 years, Enbridge increased its dividend per share at a CAGR of 11%. While all other aspects are good in Enbridge, there are some alarming aspects as well. In the last 12 months, its dividends paid were equivalent to 170% of free cash flow. Moreover, it has a long-term debt of \$63.7 billion.

However, its resilient pipeline utility model generates a predictable operating income of \$8.7 billion, giving it ample room to pay interest. Its \$13 billion liquidity enables it to manage debt. And it's \$10 billion in operating cash flow allows the company to pay regular dividends.

## Warren Buffett doubles his energy level

Even the Oracle of Omaha is bullish on the pipeline business model. In the middle of the pandemic, Warren Buffett completed the [\\$8 billion acquisition](#) of **Dominion Energy's** natural gas transmission and storage business. Berkshire Hathaway Energy paid US\$2.7 billion cash and took US\$5.3 billion of Dominion's existing debt.

The deal is cushioned with Dominion's asset portfolio of over 7,700 miles of natural gas pipelines and 900 cubic feet of natural gas storage. This is Berkshire Hathaway's biggest deal since Precision Castparts' acquisition in 2016.

## The golden stock for investors

Enbridge will give you exposure to the natural gas transmission and storage business. It is like a golden goose laying golden eggs. Due to its cost savings, the company hopes to meet its full-year distributable cash flow (DCF) guidance range of \$4.50 – \$4.80 in 2020. As long as its DCF increases, management will increase its dividends. It has the potential to increase its dividend per share for the next 20 years.

This is the right time to buy Enbridge stock. It is down 27% year-to-date because of the pandemic-induced oil crisis. Its dividend yield has increased to over 7.8%. The stock has now started walking towards recovery and surged 13% last month.

All you have to do is invest \$5,000 in Enbridge stock now and you will get a lifetime dividend income of over \$400 every year. It will also give you \$1,800 in capital appreciation in the next two to three years as the stock recovers to the pre-pandemic level.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

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

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