Is Enbridge (TSX:ENB) a Better Dividend Stock Than Toronto-Dominion Bank (TSX:TD)?

Description

One of the ways you can protect your portfolio during tough economic times or a market crash is by investing in dividend stocks. Investments that generate recurring income can provide your portfolio with some recurring cash flow and help offset what could be an otherwise difficult year on the markets.

Two of the top dividend stocks you can invest in on the **TSX** today are **Enbridge Inc** (TSX:ENB)(NYSE:ENB) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Both of them provide great yields, they normally grow their payouts, and they are among the largest stocks on the TSX.

But which one is the better buy for your portfolio today? Let's take a closer look.

Enbridge recently hiked its dividend for the 26th year in a row

On December 8, the pipeline company gave investors an update as to its plans for 2021 and also announced that its dividend would be going up yet again. Its quarterly dividend payment of $0.81 would be rising by 3% up to $0.835. With a share price of around $43, that gives the stock a dividend yield of around 7.8% annually.

That's a top yield for the Dividend Aristocrat and a rare increase in the oil and gas industry where many companies have been cutting or just outright suspending dividend payments this year.

But Enbridge believes the dividend is safe and projects that its distributable cash flow (DCF) will continue to grow at a rate between 5% and 7% over the long term. For 2020, it expects DCF to fall within a range of $4.50 and $4.80. And in 2021, that range is expected to be even higher, between $4.70 and $5.00.

Company's CEO Al Monaco says that Enbridge's "…low-risk commercial model generates resilient cash flows in all market conditions" and that "Our infrastructure is in high demand and is essential to North America's economy, and we're confident that it will be for many decades."

With a terrific payout and stable operations in a difficult year where oil prices remain low, Enbridge is proving to be one of the better dividend stocks to own in 2020.

TD looks well on the way to recovery

On December 3, TD Bank released its fourth-quarter results of 2020 as its business showed lots of resiliency as well. In Q4, its reported earnings of $5.1 billion were 80% better than the $2.9 billion the bank posted during the same period last year — more than double the $2.2 billion in net income that TD reported in the third quarter.

And TD is banking on a stronger economy in 2021 now that multiple vaccines could help speed up a recovery. If things go well, the bank is projecting that real gross domestic product could rise by as much as 6.2% in 2021. This year, it expects that it will contract by 3.8%, marking the worst decline in recent history.

With some light at the end of the tunnel, TD could be a solid investment for income investors here on out. Today, the stock is paying a dividend yield of 4.4%. It's not as high of a payout as Enbridge, but it's arguably a bit more sustainable over the long term.

Which dividend stock should you choose?

You can earn a lot of dividend income from owning either of these two stocks. Enbridge is the riskier choice of the two but with the economy looking to be in the midst of a rebound over the next 12 months, things should look a bit brighter for the oil and gas industry as a whole as people will likely be more active and travelling more next year. And so unless you're an ultra-conservative investor, Enbridge is the better income stock for your portfolio today.

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