Got $6,000? Max Out Your TFSA in 2021 and Buy This 1 Incredible Stock

Description

The new Tax-Free Savings Account (TFSA) starts on January 1, 2021. Even if the $6,000 limit hasn't changed in the last two years, your contribution can grow to a sizable amount over time. Likewise, your TFSA balance should be high by now if you've been maximizing your account every year since you've opened one.

Stock picking is customary to active TFSA users at the start of each year. It's more inspiring to do so in 2021, because the TSX has recovered from COVID lows. You'd have a fresh opportunity to hold an asset long term and be comfortable with it.

If I were to max out my TFSA limit for 2021, the top pick in my mind is none other than **Enbridge** (TSX:ENB)(NYSE:ENB). You get value for money from this incredible income stock. The pipeline giant has been consistently increasing dividends for 25 consecutive years. It raised its dividends once more this December.

Compelling case

While Enbridge belongs to a volatile sector, the growth appeal is ever present. It has established a midstream niche in the energy industry but is slowly adding more solar and wind projects. The company is preparing for an energy transition and looks forward to making substantial profits from its renewable portfolio down the road.

Enbridge has an $86.13 billion market capitalization and is the largest midstream stock trading in the U.S. stock exchange. In the nine months ended September 30, 2020, cash from operating activities grew by 2%, indicating the company generates very stable cash flow, despite the oil industry's turmoil.

Thus far, the weak spot in 2020 is the liquids pipelines, which are underperforming due to lower volumes on its mainline system at home and some in the U.S. oil pipelines because of depressed lower oil prices. Nevertheless, management expects earnings growth to be around 9.7% for the next five years.

Industry behemoth

Enbridge transports 25% of North America's total crude oil production through its crude oil and liquids pipeline network, the longest in the world (17,127 miles). Likewise, the company is responsible for moving 20% of the natural gas consumed in America.

Income investors shouldn't worry about dividends' safety, because Enbridge is a pure regulated pipeline and utility business. The company derives nearly 98% of its earnings from the regulated assets. More so, its clients are investment grade.

Enbridge expects natural gas to become a dominant global fuel source as crude oil growth stagnates. For this reason, too, investment in renewable energy assets is increasing. The adjusted EBITDA of its renewable power-generation business in Q3 2020 increased by $11 million compared to Q2 2020. In the first nine months of 2020 versus the same period last year, the increase is $56 million.

Potential tax-free income

I don't foresee a dividend collapse for decades if you invest in Enbridge today. The share price of $42.53 is a good entry, given that the stock is down 12% year to date. Analysts covering this dominant energy infrastructure company forecast the price to climb 36% to $58 in the next 12 months.

Enbridge pays a generous 7.67% dividend. Your $6,000 TFSA contribution limit will produce $460.20 in passive income. Whatever amount you invest in this energy stock will double in fewer than nine-and-a-half years.

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