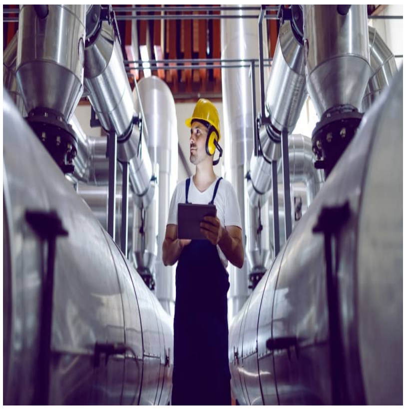

Dividend Income: Buy Enbridge (TSX:ENB) Stock Now Before it Soars in 2021

**Description**

The year 2020 taught Canadians the importance of savings and spending quality time with family. People started paying attention to their mental and physical health. It's time you also start thinking about your financial health. The market is now recovering from a pandemic-induced crash. Many investors used the market crash as an opportunity to buy a Dividend Aristocrat like **Enbridge** (TSX:ENB)(NYSE:ENB).



## Dividend income is vitamin C for your financial health

The COVID-19 virus proved fatal for people with weak immune systems. Doctors prescribed such people to stay home, as they were at high risk if they catch the virus. Just like you took precautions for COVID-19, you need to assess your financial health and take precautions accordingly. Dividend income works like vitamin C for your portfolio. Dividends help your portfolio fight and recover from a market crash with minimal damage.

Take Enbridge for instance. It has a strong history of paying incremental dividends for 25 years. The pipeline operator maintained its dividend during the 2009 crisis, 2014 oil crisis, and now the 2020 pandemic crisis. It increased its 2021 dividend per share by 3%. Although its 2021 dividend-growth rate is lower than its 2020 rate of 9.8%, it is growth. Many of its customers, like **Suncor Energy**, have slashed dividends by 55% last year.

## Why should you buy Enbridge stock?

The sole reason for buying Enbridge stock is for its juicy dividend yield. The company can maintain its dividend rate and increase it frequently, at least for another 20 years. What makes me confident is its resilient business model.

Enbridge is in the infrastructure business. This business requires huge capital investment to build the infrastructure. Sometimes, the project gets delayed, goes overbudget, or is stuck in regulatory and environmental issues. But the company takes all the hassle and builds the project. Once the project is operational, it generates returns for many years. Hence, you see the project update in Enbridge's financials.

The success of an infrastructure company is in how many projects are generating cash flow. As Enbridge has the largest pipeline infrastructure in North America, with its pipeline connecting some of the busiest areas, it has stable cash flows. Enbridge transmits oil and natural gas through these pipelines in return for tariffs and increases the tariffs at regular intervals. The more volumes it transmits, the more cash it earns.

Enbridge increases its distributable cash flow (DCF) by increasing tariffs, optimizing costs, and building new pipelines. It has some pipeline replacement and expansion projects that it expects to come online by 2022. The company expects these projects to increase its DCF by 4-5%.

## Enbridge in 2021

Enbridge has diversified its revenue streams beyond oil pipeline and earns more than 40% of its revenue through natural gas transmission and storage and renewable energy generation. Hence, when oil demand (gasoline, diesel, and jet fuel) plunged during the pandemic, the decline was more than offset by an increase in natural gas demand.



Enbridge stock took a hit from the pandemic and fell 35% in March 2020. This dip has inflated its dividend yield to as high as 9%. Since then, the stock has surged 20% and has the potential to surge another 30% as oil demand increases. Now is a good time to lock in a 7.8% dividend yield for a lifetime and benefit from capital appreciation from a dividend stock.

## Why should you have Enbridge in your portfolio?

Enbridge's strong dividend history makes it a low-risk stock that is a must-have in your Tax-Free Savings Account (TFSA) portfolio. A TFSA gives you the flexibility to withdraw investment income any time without paying a tax on it. If you received $100 in annual dividend income from Enbridge in 2000, that income rose to $380 in 2020, as the company increased its dividend per share every year. With TFSA, you can withdraw this dividend income any time and not include it in your taxable salary.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
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