TFSA Investors: Why Enbridge (TSX:ENB) Is the Ultimate Dividend Stock

Description

Last year, I'd discussed the mistake that many Canadians had made in 2020. The COVID-19 pandemic had a devastating effect on the domestic economy. However, the impact of increased restrictions and lockdowns have influenced spending habits. Savings ratings were up significantly in comparison to previous years. Unfortunately, millions of Canadians are sitting on that extra cash. Today, I want to discuss why Canadians should put that money to work in a TFSA. Even conservative investors can get in on the action with a stock like **Enbridge** (TSX:ENB)(NYSE:ENB). Let's dive in.

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Why Enbridge is perfect for a TFSA

The Tax-Free Savings Account (TFSA) is a very attractive investment vehicle for Canadians of all ages. It allows investors to gobble up capital gains and investment income without paying any capital gains tax. Moreover, unlike the RRSP, TFSA investors have total flexibility. You can take those tax-free profits at any time without having to worry about a penalty. The only thing you must pay attention to is your cumulative contribution limit. Fortunately, this is available on your CRA online profile or by making a quick call to the institution itself.

Enbridge is the largest energy infrastructure company in North America. The stock has remained steady, despite being hit with harsh regulatory pushback over the past decade. Recently, it was the target of Michigan governor Gretchen Whitmor. In November, I'd discussed why Enbridge investors need not worry about this latest challenge.

How this company measures up ahead of earnings

Investors can expect to see Enbridge's fourth-quarter and full-year 2020 results by the middle of February. The previous year presented many challenges for the oil and gas sector. Enbridge was not entirely shielded from these hurdles, but its wide economic moat and massive project pipeline prevented the stock from succumbing to major volatility. That is one of the key reasons it is perfect fora TFSA. In Q3 2020, Enbridge delivered GAAP earnings of $990 million, or $0.49 per share, comparedto $949 million, or $0.47 per share, in the prior year.

Shares of Enbridge have climbed 18% over the past three months. However, the stock is still down 8.3% year over year. Enbridge offers a quarterly dividend of $0.835 per share. That represents a tasty 7.4% yield. The company has delivered dividend growth for over 20 consecutive years. This is a dividend stock that TFSA investors can rely on for the very long term.

Conclusion: Should you buy Enbridge in your TFSA today?

Enbridge faced its share of challenges in 2020 but has started strong in 2021. The stock is up 10% in January as of close on January 15. Its shares last possessed a solid price-to-book value of 1.5. Oil and gas demand are set to improve on the back of a global economic recovery and a gradual reopening of our economies. Enbridge is an attractive target for a TFSA to start the year and the decade.

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