



1 Top TFSA Stock for 2021 and Beyond

Description

Currently, my top Tax-Free Savings Account (TFSA) stock is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). It's my largest TFSA holding. If the dividend stock were to have a major correction tomorrow, I wouldn't hesitate to buy more.

There are plenty of reasons why I love BIP.

The top TFSA stock is defensive

BIP owns, invests, and operates a diversified portfolio of infrastructure assets. These cash cow assets allow the utility to generate consistent cash flow year in year out.

Because BIP runs essential businesses, its business performance was incredibly defensive last year during the pandemic. Specifically, its funds from operations (FFO) rose 3% to north of US\$1 billion and fell marginally by less than 1% on a per-unit basis.

BIP is diversified across utility, energy, transport, and data infrastructure assets. For example, it owns assets in rail, toll roads, data transmission and distribution, data storage, regulated distribution and transmission, etc.

According to Yahoo Finance, BIP's recent beta was 0.84. Its diversity, consistent earnings, and safe dividend make it a low-volatility stock most of the time.

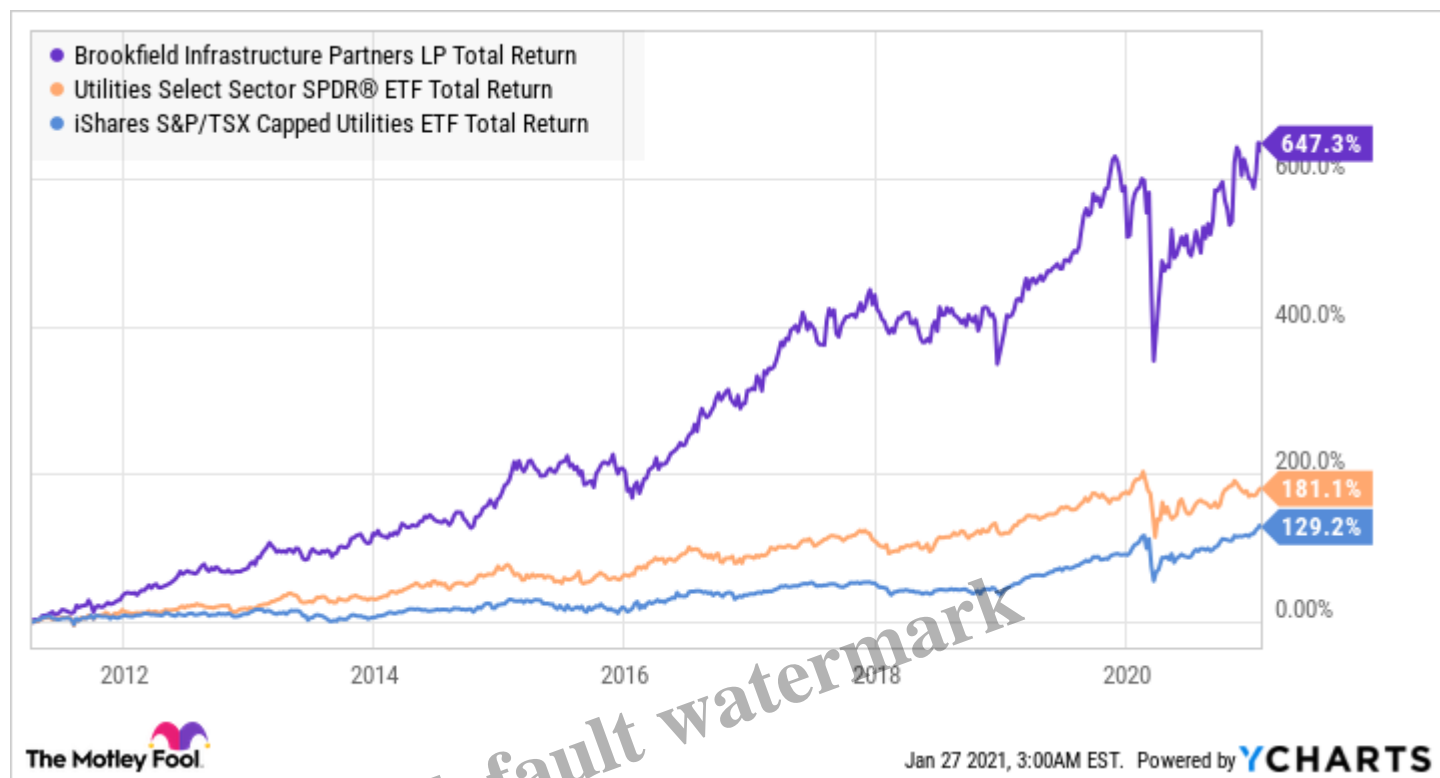
No stock is immune to market crashes, though. In the pandemic market crash last year, BIP stock fell about 36% from peak to trough on the **TSX**. Because of its stable business outperformance, large sell-offs like that should be seen as awesome opportunities to back up the truck!

The dividend stock pays a wonderful dividend

I hold BIP for safe income that beats its peers in dividend growth. As a side benefit, it also outperforms

the utility industry in long-term total returns.

Here's how BIP stock has fared against North American benchmarks in total returns in the long run.



Total Return Level data by YCharts. A chart showing the total return level of TSX:BIP.UN versus NYSE:XLU and TSX:XUT.

BIP pays a U.S. dollar-denominated cash distribution that has increased every year since inception. Its five- and 10-year dividend growth rates were 9.4% and 11%, respectively. Going forward, it will increase its cash distribution by about 5-9% per year.

BIP starts you off with a safe yield of about 3.6% today. BIP enjoys high EBITDA margins of north of 50%. Additionally, its cash flows are highly sustainable. About 95% are regulated or contracted and approximately 75% are indexed to inflation.

Growth

Global infrastructure requirements are on the rise in both developed and emerging markets. McKinsey & Company estimates a whopping global infrastructure investment requirement of US\$69 trillion by 2035.

As a leading global infrastructure company diversified across North America (about 30% of its FFO), South America (25%), Asia Pacific (25%), and Europe (20%), BIP is well positioned to ride on the long-term trend in greater global demand for infrastructure.

For example, alongside its institutional investors, BIP invested in a US\$7.9 billion Indian telecom towers business that can capitalize on the rollout of 5G and benefit from increased data usage.

The Foolish takeaway

Brookfield Infrastructure Partners is a core-holding material that is managed by top-notch management. It's much diversified with a quality stream of sustainable cash flow and global growth opportunities. As a utility, the company shares a good portion of its cash flow as cash distributions to its shareholders. Right now, the stock is fairly valued with a [safe dividend](#) yield of 3.6%.

If you don't own any shares, you might buy a small position here. Whenever it falls significantly, consider backing up the truck in your TFSA for solid gains and growing income!

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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