



## Retirees: Enbridge Inc (TSX:ENB) Stock Can Pay Up to \$5,511 Annually — Tax Free!

### Description

Many retirees have a preference for income-producing investments like dividend stocks. Producing regular income on a set schedule, they seem more dependable than other types of stocks. All stocks can produce income when you sell them, but only dividend stocks will pay you consistently without you having to time your sales. And sometimes dividends can produce a solid return all by themselves. If you have a stock that yields 7%, you get \$7,000 in cash back on a \$100,000 position. On a \$1,000,000 position, you get \$70,000 back annually — enough to live on!

This brings us to **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). As of this writing, the stock had a 7.3% yield. That's easily enough to produce the kinds of annual payouts mentioned above. On top of that, Enbridge has a long history of dividend growth, raising its payouts over time. In this article, I'll explore ENB's generous dividend and how you could generate up to \$5,549 in dividends *tax free* by holding the stock in a TFSA.

### Enbridge's impeccable dividend history

Enbridge isn't the only high yielding stock on the TSX today. There are many others. However, Enbridge is fairly unique among high-yield stocks in that it has a long history of raising its dividend — that is, increasing the payout with each passing year. The stock has paid a dividend for 66 years; over the last 26 of those years, the [payout has grown by 10% annualized](#). That's a pretty solid track record. And Enbridge has enough cash flow and earnings to keep it going. In its recent 12-month period, the company paid out only 70% of distributable cash flow (DCF) in dividends. That's safe enough to keep the dividend going for the foreseeable future.

### ENB can pay \$5,511 annually tax free

As we've seen, Enbridge stock has a very high yield. High enough that you'd get nearly \$10,000 a year in dividends on a \$100,000 position. That's pretty remarkable. What's even more remarkable is how

much dividends you could generate *tax free*. As of 2021, you can contribute up to \$75,500 in a TFSA. Stocks held inside a TFSA are not taxed. If you held \$75,500 worth of ENB stock in a TFSA, you'd get \$5,511 back in cash payouts every year. And you wouldn't pay a penny in taxes on any of those dividends!

## The one big risk to watch out for

In normal circumstances, Enbridge is a pretty "safe" business. It owns a massive pipeline network spanning North America and usually has enough business to keep its pipelines filled to capacity. On top of that, oil prices are currently rising, and demand for oil is sure to increase when the pandemic is over. With politics out of the picture, Enbridge would be an unquestionably great business.

But politics *are* part of the picture. The state of Michigan is currently [trying to shut down Enbridge's Line 5 pipeline](#), and recently, U.S. president Joe Biden *did* shut down another Canadian pipeline in the United States. The pipeline Biden shut down — Keystone XL — was not an Enbridge pipeline. But it was similar to the pipelines that Enbridge operates. If Biden were to get involved in the pipeline showdown in Michigan, he would likely side with the state, not Enbridge. The company would have the right to challenge any such action in court, but the political situation facing it would be unfavourable.

This "big picture" issue is probably the biggest headwind Enbridge right now. Its continued growth depends on maintaining infrastructure in the United States, where political forces are currently not friendly to Canadian pipelines. Overall, Enbridge is confident it will prevail. But the political situation in the U.S. is the single biggest threat to its 7.3% dividend yield right now.

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