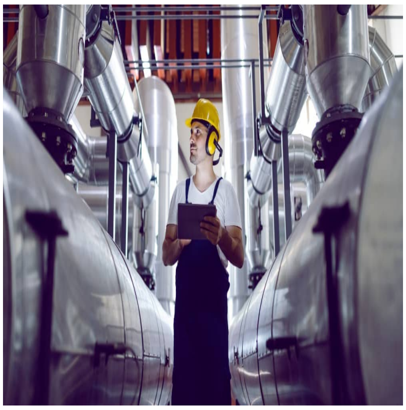

Why Enbridge Is a Top Dividend Stock for Your TFSA!

Description

The Tax-Free Savings Account (TFSA) is a flexible registered account for Canadians. It allows you to hold a variety of instruments such as stocks, GICs, bonds, ETFs, and mutual funds. As it is a tax-sheltered account, the TFSA is ideal for dividend investors. You can withdraw any returns in the form of interests, dividends, and capital gains from your TFSA without having to pay a single dollar in CRA taxes.

As interest rates are near record lows, it makes sense to hold blue-chip Canadian dividend-paying stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB) in your TFSA. Enbridge has been a massive wealth creator for long-term investors. For example, if you invested $10,000 in ENB stock at the start of 2021, your investment would be worth close to $118,500 today.

After accounting for dividend reinvestments total returns stands at $237,900. Comparatively, the **S&P 500 Composite Index** would have turned $10,000 to $118,000 in this period after including dividend reinvestments.

Let’s see why Enbridge remains a top dividend stock for 2021 and beyond.

Enbridge has a solid business model

Enbridge is one of the largest companies on the TSX with a market cap of $100 billion and an enterprise value of $178 billion. The company is well-diversified, allowing it to derive stable cash flows across economic cycles. In order to analyze dividend stocks in the energy space, you need to consider their cash-flow generating ability, dividend-paying record as well as growth plans, and ENB ticks all three boxes.

Enbridge is a midstream oil and gas company and is well poised to ride out the volatility in oil prices. Midstream companies primarily store, process, and transport hydrocarbons including crude oil, natural gas, and natural gas liquids.

Enbridge and midstream peers can generate steady and stable cash flows and are relatively immune to commodity prices compared to oil-producing companies.

Enbridge operates the longest transportation network in the world and accounts for 40% of total crude oil imports south of the border. It is also Canada's largest natural gas utility company. Its contract-based business model has allowed Enbridge to increase dividends at an annual rate of 10% since 1995, allowing it to crush broader market returns in the process.

What's next for TFSA investors?

An investment of $10,000 in ENB stock can help TFSA investors generate $680 in annual dividends, given its forward yield of 6.8%. It's likely that Enbridge's dividend growth streak will continue in 2021 and beyond given it aims to keep the payout ratio below 70%. Enbridge is investing heavily in renewable energy, allowing the company to increase its base of cash-generating assets.

It expects distributable cash flow per share to grow between 5% and 7% through 2023 driven by its multi-billion-dollar capital expenditure plans.

Analysts tracking ENB stock expect the company to increase earnings per share by 10.3% in 2021 and by 14.2% in 2022. We can see that the stock is trading at an attractive price to 2021 earnings multiple of 18.41.

Bay Street expects Enbridge shares to rise by over 5% in the next 12-months. After accounting for its dividend yield, total returns will be closer to 12%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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araghunath