TFSA Anchors: Enbridge (TSX:ENB) Plus 1 Utility Stock

Description

All interest, earnings, or gains inside a Tax-Free Savings Account (TFSA) are tax-free provided users don't over-contribute or carry on a business in it. Also, investing in foreign assets or stocks isn't advisable because of the 15% withholding tax. Today, Canadians need the TFSA more than ever.

The tax-advantaged investment account is the best vehicle to earn additional income to combat or hedge against inflation. However, TFSA investors should be more risk-averse in 2022. The choice of anchors is important to ensure non-stop income streams.

There should be less worry if **Enbridge** (TSX:ENB)(NYSE:ENB) is the core holding with **Emera Inc.** (TSX:EMA) as back-up. Besides their recession-resistant qualities, both dividend stocks offer growing dividends. Furthermore, the payouts should be rock-steady even during a bear market.

Low business risk

Enbridge fell 0.7% to $55.82 on March 16, 2022, but the top-tier energy stock remains up 14.7% year-to-date. The $115.48 billion energy infrastructure belongs in the highly volatile sector but operates like a utility company, a competitive advantage.

Another reason to make Enbridge a TFSA anchor is its dividend growth streak of 27 consecutive years. The diversified asset base is now worth around $180 billion. Since 98% of the assets are contracted, if not mostly cost-of-services contracts, cash flows are predictable.

With $14 billion worth of assets placed in service last year, management expects 5% to 7% growth (CAGR) through 2024. According to S&P Global Ratings, the assets of Enbridge are an integral part of North America's energy needs. The ratings agency rating for the company is excellent. For Moody's and Fitch, Enbridge is a low business risk.

Apart from the preservation of financial strength and flexibility, Enbridge prioritizes sustainable return of capital to shareholders via dividend increases. The company also focuses on low-capital intensity and utility-like growth for sustainable organic growth. For 2022, management expects continued high utilization of all operating businesses.

Performance-wise, the stock's total return in 20.02 years is 1,044.67% (12.95% CAGR). If you invest today, the dividend is 6.07%.

95% regulated assets

Emera is the perfect complement to Enbridge in a TFSA. Because of its $8.4 billion capital plan (2022 to 2024), management forecasts a 7% to 8% rate base growth through 2024. As such, the $15.87 billion regulated energy and services company has an annual dividend growth guidance of 4% to 5% until 2024.

The investment thesis for Emera is the long-term growth in earnings, cash flow, and growing dividends to shareholders. Electricity utilities account for 84% of its portfolio of high-quality assets. Gas utilities complete the remaining 16%. Notably, 95% of the assets are regulated.

The seven utility firms under Emera's umbrella generate $5.8 billion in revenues. About 63% in earnings come from the United States. Currently, the customer count is 2.5 million. Regarding the capital spend distribution for its capital plan, 99.7% will go to regulated assets. Florida will receive 67%, while Atlantic Canada gets 23%.

At $60.02 per share (-4% year-to-date), Emera pays an attractive 4.34%.

Defensive portfolio

TFSA investors can't be risk-takers in the current environment. Enbridge is a must-own stock today, but adding Emera should create a defensive income stock portfolio.

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