1 Top TSX Stock to Launch a Self-Directed TFSA Pension Fund

Description

Canadian savers are using their growing TFSA contribution space to build self-directed retirement funds.

TFSA benefits

The TFSA is popular with younger investors who are in the early years of their careers and want to save RRSP contribution room for later, when they could be in a higher marginal tax bracket. RRSP contributions reduce taxable income. The TFSA also gives investors flexibility to remove the funds without a penalty in the event the cash is needed for an emergency or other investments. Any amount withdrawn from the TFSA opens up new contribution room in the next calendar year.

Retirees are using the TFSA to generate tax-free income that won't put their Old Age Security (OAS) at risk of a clawback. The benefits of shifting investments from a taxable account to the TFSA can be significant for seniors who receive work pensions, CPP, OAS, and RRIF payments that put their net world income close to the CRA's threshold for triggering the OAS pension recovery tax.

A popular investing strategy for young investors and retirees is to own top dividend-growth stocks inside their TFSA portfolios.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a major player in the North American energy infrastructure sector with oil pipelines, natural gas pipelines, and natural gas storage facilities. The company also owns natural gas distribution utilities and renewable energy assets, including solar, wind, and geothermal.

The rebound in the oil and gas market looks set to continue for some time. Canadian and U.S. producers will start to increase output, as global demand ramps up and international supplies remain disrupted. Europe is looking to secure reliable liquified natural gas (LNG) supplies from the United States. Sanctions on Russian oil and gas could remain in place for years, boosting demand for North

American production.

Enbridge transports 30% of the oil produced in the U.S. and Canada. The company also moves 20% of the natural gas used in the United States. Enbridge continues to invest in new growth opportunities, including the US$3 billion it spent last year on an oil export facility in Texas.

Management is evaluating new investments in carbon capture and storage for customers that need to reduce their emissions to meet ESG goals. This could open up meaningful new revenue streams.

Enbridge has raised its dividend in each of the past 27 years. The board increased the distribution by 3% for 2022. Management expects distributable cash flow to grow by 5-7% per year over the medium term, so investors should see ongoing distribution hikes in the 3-5% range. The company also intends to buy back up to $1.5 billion in stock under the current share-repurchase program.

Investors who buy Enbridge at the time of writing can pick up a 5.9% yield.

Long-term investors have done well with Enbridge stock. A $10,000 investment in the shares 25 years ago would be worth more than $300,000 today with the dividends reinvested.

The bottom line on top stocks for a TFSA

The **TSX Index** is home to many great dividend stocks that pay growing dividends and have provided investors with attractive total returns. Enbridge is a good example of a stock that should be attractive for TFSA investors looking to build a self-directed retirement portfolio.

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