How Young Investors Can Turn a $6,000 TFSA Into $144,000

Description

The Tax Free Savings Account (TFSA) is a great tool for young investors to build a savings fund that can be used for buying a home or maybe even retiring early.

One popular strategy for building TFSA wealth involves owning top TSX dividend stocks and using the distributions to acquire new shares. This takes advantage of dips in the stock price while the power of compounding can turn a modest initial investment into a nice nest egg over time.

default watermark

The latest pullback in the market is giving new investors a chance to buy some top Canadian dividend stocks at discounted prices.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) isn't an oil and gas producer. The company simply moves the commodities from the production site to storage facilities, refineries, utilities, or export terminals and charges a fee for providing the service. The volatility in energy prices has a limited direct impact on Enbridge's revenues. This means cash flow should be steady and reliable as long as oil and natural gas demand continue to grow.

That's likely the case for the coming decades, even as the world shifts to electric vehicles and invests more in solar, wind, and hydroelectric power production. Emerging economies have vehicles with combustion engines because most people in these countries can't afford the price of an electric car or truck. This means oil demand will remain strong for some time, and Enbridge is positioned well to supply the export market. The company moves 30% of the oil produced in Canada and the United States and spent US$3 billion to buy an oil export terminal last year.

On the natural gas side, demand is soaring. Utilities around the globe are looking to switch from coal to natural gas to produce power, as they strive to meet emissions reduction goals. Fuel-fired power plants will always be needed to complement renewable energy sources. Demand surges can't be met by solar, wind, and hydroelectric facilities and these sources can falter on cloudy days, calm days, and during times of drought.

Enbridge raised its dividend in each of the past 27 years, and investors should see the dividend continue to increase at a rate of 3-5% annually over the medium term. The company is currently working through a $13 billion capital program and Enbridge's $111 billion market capitalization gives it the financial firepower to make strategic acquisitions to drive growth. Energy infrastructure assets will likely consolidate in the coming years, as it becomes harder to get new pipelines approved and built. Enbridge will probably be a buyer.

Enbridge stock trades near $54.50 at the time of writing compared to $59.50 in June. The drop in the share price looks overdone, and investors can now pick up a 6.3% dividend yield.

Long-term investors have done well with Enbridge in their portfolios. A $6,000 investment in Enbridge stock 25 years ago would be worth about $144,000 today with the dividends reinvested.

default watermark

The bottom line on top stocks to buy for passive income and total returns

Enbridge is a good stock to buy for both passive income and total returns. If you have some cash to put to work in a self-directed TFSA, this stock deserves to be on your radar. The **TSX Index** is home to many great dividend stocks, and many are now trading at undervalued prices.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2022/08/31
Author
aswalker

default watermark

default watermark