1 Leading Passive Income Stock I'm Buying Hand-Over-Fist Right Now

Description

Are you looking for a passive income stock to buy hand-over-fist the moment it falls? It's time to buy **Enbridge** (TSX:ENB) stock following its 4.3% decline in the last two weeks as the WTI crude price fell by 10%. Enbridge's stock price is not directly impacted by oil prices. But the stock was doubly hit by the tepid dividend growth for 2023.

Why did Enbridge stock fall in December?

Enbridge is a dividend aristocrat, growing its dividends for the last 27 years, irrespective of the economic situation. It increased its 2023 dividend by 3.2% to $3.55. This growth was below my dividend expectation of $3.69. This tepid growth comes as Enbridge expects its 2023 DCF growth to be flat in the $5.25–$5.6 range (2022 DCF guidance).

Flat growth is better than a decline in a weak economic environment. Canada's Finance Minster slashed the 2023 real GDP forecast to 0.7%. Oil prices are expected to remain in the $70-$100 range in 2023 as the slowdown in the economy pulls down oil demand. Despite these short-term headwinds, Enbridge is a buy for investors seeking long-term passive income.

Why is Enbridge stock a buy right now?

Enbridge earns cash flows from the toll money it collects for transmitting oil and natural gas. The company grows its dividends by adding new pipelines. The pipeline developer expects to place $3.8 billion of capital into service in 2022 and $3.1 billion in 2023. Enbridge is looking to tap the liquefied natural gas export opportunity with several ongoing and upcoming projects. When these projects come online, they would gradually improve the dividend growth rate.

When the economy starts recovering, Enbridge could accelerate its dividend growth rate. In the meantime, the stock can provide you with regular passive income through dividends in a weak macro environment.

How to earn passive income from Enbridge

I expect Enbridge stock to fall in 2023 as the United States grapples with fears of a recession, while the Canadian market is expected to avoid a recession. Enbridge is a Canadian company with significant exposure to the United States. For this reason, I believe Enbridge might fall in the 2023 slowdown.

The energy business is cyclical. Therefore, you may not earn significant capital appreciation. You can make the most of the energy stock weakness by investing in a fundamentally strong stock over the year. And take note, the Canada Revenue Agency (CRA) has increased the Tax-Free Savings Account (TFSA) limit to $6,500.

If you invest $500/month in Enbridge throughout the 2023 bear momentum, your average cost per stock could fall. At the end of the year, you will have $6,000 invested in Enbridge through your TFSA. Some months might buy you a higher number of stocks, and some might buy you a lower number.

You can invest $500/month in Enbridge and use the dividend money to reinvest in the same stock. Even with a 3.5% average dividend growth rate, you can earn as much as $500/month in dividend income in 8 to 10 years through compounding interest.

Investing tip

All investors like to be on the receiving side of compounding interest instead of the paying side. Even though investing $500/month in Enbridge alone is not wrong, you should diversify your income portfolio across different sectors. If you don't want to stay in energy stocks, renewable energy stocks are a good option.

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