



3 Reasons to Buy and Hold BCE Inc.

Description

The formula for investment success is pretty simple: Buy wonderful businesses and hold for the long haul. Then just allow time and compounding gains to take care of the rest.

Of course, few companies are built to last. That's why I'm a big advocate of investing in firms that have rewarded shareholders for decades (and even centuries). I call these elite businesses my "Forever Stocks". And if history is any guide, these wonderful companies will continue to crank out dividends to shareholders for decades to come.

One good example: **BCE Inc** ([TSX: BCE](#))([NYSE: BCE](#)).

BCE's status as a Forever Stock comes down to a few points. First and foremost, the firm's telecom network is almost impossible to replicate. Another company cannot simply come along and build a rival business.

When Warren Buffett is evaluating the strength of a company, he asks himself, "If I had a billion dollars, how much can I hurt this guy?" But even if you had \$1 billion... \$5 billion... \$10 billion, chances are you couldn't create a viable competitor. Because the cost to build out the needed infrastructure is so great, BCE will likely continue to crank out oversized returns year after year.

Second, BCE's business is recession proof. Abraham Maslow would argue our needs don't get any more basic than food, drink, and hygiene. However, you should add phone service and Internet access to that list. As such, the price for wireless services tends to be oblivious to the ups and downs of the economy.

Third, BCE returns an enormous amount of cash to shareholders. In February, the board hiked the company's dividend 6%, marking the sixth straight year that BCE has lifted its payout. Today the stock yields 4.9%, more than double the average yield of the **S&P/TSX Composite Index**.

Of course, all of these points are just common sense — strong companies with irreplaceable assets and loyal customers that take care of their shareholders should do better over the long run. It doesn't take an MBA to figure that out.

However, the real test of a Forever Stock is how well it fares during times of uncertainty. That said, BCE has paid a dividend to shareholders every year since 1881. The firm even managed to *increase* its payout through the height of the financial crisis in 2009.

Any company that can produce predictable returns through recessions should catch your attention. There're no sure things in investing, but BCE is a durable business that will likely reward shareholders for decades more to come.

My advice: buy it... hold it... and let this stock make you rich.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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Date

2025/07/05

Date Created

2014/11/04

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