2 Safe Dividend Stocks I’d Buy With an Extra $5,000 in the New Year

Description

Investors often come across some extra money at the end of the year. The funds could be the result of a gift from a family member or a bonus at work.

Regardless of the source, the best use of the money is to pay off the credit card. If you have the holiday debt situation under control, you might want to invest the cash in a dividend-growth stock in your TFSA.

The reason for putting it in the TFSA is that you can reinvest the full value of the dividends in new shares without having to pay any tax. Over time, the trickle can add up to a sizeable nest egg, especially if the process is repeated every year.

With the markets in a volatile mood, it might be a good idea to stick with some boring but reliable picks that tend to do well in most market conditions.

Here’s why I think **Metro Inc.** (TSX:MRU) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) are solid choices for 2016.

Metro

Anyone who lives in Ontario or Quebec has probably put some money in the pockets of Metro’s shareholders.

The company owns more than 600 grocery stores operating under the Metro, Super C, and Food Basics brands. These businesses cater to the full line of consumers, from high-end to budget-conscious consumers. This is important because it means the company catches all shoppers whether they are feeling good about their finances or trying to tighten the purse strings.

Metro also owns 250 pharmacies that serve customers in villages, towns, and cities alike.

The company does a good job of controlling costs and getting consumers to spend more money. Fiscal Q4 2015 earnings came in 13.9% higher than last year.

Metro's dividend has a yield of just 1.25%, but the payout increases at a healthy clip each year and the stock's return more than compensates. The shares are up 150% in the past five years.

BCE

BCE is one of those stocks you can simply buy and forget about for decades. The company enjoys a dominant position in a market that has few serious competitors, and that situation is unlikely to change.

Over the past few years BCE has transformed from a telecom provider to a media and communications giant. The addition of retail stores, sports franchises, a television network, specialty channels, radio stations, and an ad company has positioned the company well to get a piece of the action all along the value chain.

These assets combined with the company's mobile and wireline networks interact with most Canadians in one way or another on a daily basis. In fact, any time a person in this country catches a game, listens to the weather, watches the news, checks e-mail, sends a text to a friend, or downloads a movie, the odds are pretty good that BCE is getting a bit of cash somewhere along the line.

BCE pays a quarterly dividend of $0.65 per share that yields about 4.8%. The distribution increases on an annual basis, and investors have watched the stock rise more than 50% in the past five years.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:MRU (Metro Inc.)

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