You Should Own BCE Inc. During Rough Times

Description

There's no denying that investors are concerned about the economy. Stocks are up and down, and no one really knows what to expect. This volatility could drive anyone insane.

Fortunately, the strategy that is best suited for this sort of uncertainty is one of patience and logical decisions. All too often, investors worry about their paper losses, so they sell. Unless the company is fundamentally flawed, emotional selling is only going to harm you. Rather than selling during tough times, investors should hold and even consider buying.

One company that I believe deserves investor's attention is **BCE Inc**. (TSX:BCE)(NYSE:BCE).

BCE is a well-integrated telecommunications business that generates significant revenue from multiple products across its portfolio. It offers mobile, cable TV, Internet, and landline services. Each of these carries a monthly bill with a contract attached to it, which ensures that the company has predictable revenue coming in.

However, BCE also owns numerous other assets. Users pay for cable TV and then can watch a BCE-owned station, where the company generates money from advertising. It has sports teams, retail outlets, radio stations, and websites. This allows BCE to generate revenue from a multitude of products, diversifying it and allowing it to focus on rewarding its investors.

If we look at the companies that were impacted the least during the last financial crisis, investors who owned shares of blue-chip companies tended to fare better. That doesn't mean that the share prices didn't dip; however, because of the dividends these companies distributed, investors were able to return to profitability much faster than speculators in other stocks.

And the dividend that BCE Inc. pays is incredible. At present-day pricing, BCE pays a 4.74% yield. That is $2.60 a year distributed over four quarters. But it's not just the fact that BCE distributes a lot of its profits to investors, but the fact that it has, historically, done it on time and with increasing amounts.

During tough times, a stock gets beaten down because investors are afraid of a bear market. This increases the size of the yield, which means that, with a reinvestment plan, more shares of the stock can be bought with the dividend.

If you own 1,000 shares of BCE at $54, you are earning $2,600 per year in dividends. That gets you approximately 48 more shares every single year. However, if BCE were to drop to $48 because people are afraid of the market, that same $2,600 per year in dividends would buy you approximately 54 shares. In the second year of owning those shares, you would earn an additional $15.60 in dividends. It might not seem like much, but over time, that would continue to grow.

I am a big believer that investors should own high-quality, dividend-paying stocks during tough times. So long as the company is fundamentally secure–and I believe a telecommunications company is very secure–then investors should be able to increase their holdings over the long term with a smart reinvestment strategy. BCE just happens to be one of the best dividend-paying stocks on the market.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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

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