



BCE Inc.: This Boring Stock Could Make You Rich

Description

Many investors spend a lot of time looking for stocks with huge potential upside. They want stocks that can go up 100%, 200%, or even more in just a short amount of time.

It doesn't take a genius to figure out the downfall of that strategy. Even if it were easy to identify these potential winners beforehand, it still requires skill, patience, and enough capital to really make a difference. If an investor risks 5% of a \$1 million portfolio on a risky stock or two, the loss of that could make a real difference, but 5% of \$50,000 isn't much in comparison.

Besides, most investors aren't well suited to investing in the high flyers; their emotions get the best of them. The elation of big gains can cause even the best investor to get greedy, and the agony of losing money can have the opposite effect.

Instead, investors should keep it simple. A strategy of loading up on solid blue-chip stocks over the long run has worked pretty well over the last 40 years. There's no reason why it won't continue to work over the next 40.

Here's the case for one so-called boring stock, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)).

Can't conquer this moat

Warren Buffett is a big fan of investing in companies that have what he calls a moat. It's a sustainable advantage a company has over its competition.

It's obvious BCE has a moat, and a huge one at that. The company has invested tens of billions of dollars in everything from wireless spectrum to data lines to media assets. It has an ownership stake in some of Canada's best-known sports teams. It has a virtual monopoly east of Quebec. And its millions of customers across other parts of Canada are certainly worth something as well.

Think about it this way: if I gave you a few billion dollars and told you to drive BCE out of business, could you do it? Could you even make much of a dent? I know I sure couldn't. Any sane capitalist wouldn't try. This is exactly the kind of investment you should make.

Pricing power

With a great moat comes pricing power—the best friend of a shareholder.

Think of the average user of BCE's services. This person is likely shelling out at least \$100 per month to BCE, possibly even more. Most are subscribed to multiple services.

Like clockwork, each year BCE raises their prices anywhere from \$2 to \$5 per month. It's just enough to make the average customer angry, but not enough to drive them into the arms of a competitor. Management knows that changing cell phone, Internet, or television providers is a pain, so most folks don't bother. A few might call in and complain, but they're easily silenced with a discount.

It's a virtual certainty that BCE can continue these price hikes for years to come. Every company in the sector does it.

A great dividend

In 2008 the Ontario Teachers' Pension Plan made a bid to take BCE private. That bid ultimately failed because the financial crisis made it impossible to get the financing needed. Ever since then, BCE has been a true dividend-growth powerhouse.

The company paid out a quarterly dividend of \$0.365 per share in 2008. These days the quarterly payout is \$0.6825 per share. That's good enough for an 8.2% annual increase, far better than both inflation and wage growth for most employees.

Better total return

There haven't been many better long-term investments than BCE.

Over the last decade, investors who reinvested their dividends into more BCE shares enjoyed an annual return of 12.7%. That would have turned a \$10,000 investment into one worth \$33,157.

Over the last two decades, the return becomes even more impressive, averaging 15.9% a year if dividends were reinvested. That would have turned an original \$10,000 investment into one worth more than \$186,000.

That's not bad for a stock many consider too boring for their portfolios.

It doesn't matter how old an investor is, how much wealth they have, or anything else. Every investor can benefit from having BCE in their portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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

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Date

2025/09/11

Date Created

2016/03/21

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