



Should You Put TransCanada Corporation or BCE Inc. in Your RRSP?

Description

Canadians are searching for high-quality stocks to add to their RRSP portfolios.

Let's take a look at **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) to see if one is more attractive right now.

TransCanada

TransCanada made a major acquisition in 2016 that helps set the company up for solid growth over the medium term.

The purchase of Columbia Pipeline Group added significant strategic assets in the growing Marcellus and Utica shale plays as well as additional pipeline infrastructure, including important connections to the Gulf Coast.

The company's near-term capital program currently includes \$23 billion in small- and medium-sized projects that should be completed through 2020. As these assets go into service, TransCanada expects cash flow to increase enough to support annual dividend growth of at least 8%.

TransCanada is working on another \$45 billion in larger, long-term projects, including Keystone XL, Energy East, and the Bruce Power life extension program.

At the moment, the stock doesn't fully reflect the potential benefits the mega-projects could have on the company.

TransCanada recently raised its quarterly dividend by more than 10% to \$0.625 per share. The new payout provides a yield of 4% at the current stock price.

BCE

BCE just received final regulatory approvals for its \$3.9 billion acquisition of **Manitoba Telecom Services** (MTS).

The deal, which is expected to close in March, gives the company one more chunk of the Canadian communications pie and positions the business well for an extended push into western Canada.

BCE says it expects to see \$100 million in annualized cost synergies from the integration of MTS, and the acquisition will be immediately accretive to cash flow.

BCE recently reported solid Q4 2016 results and said free cash flow is expected to grow 3-7% in 2017 without including the MTS assets.

The company raised the dividend by 5% when the Q4 numbers were released, and there is a chance investors could see another dividend hike once the MTS deal is closed.

BCE's new quarterly distribution of \$0.7175 per share provides a yield of 4.9%.

Critics of the stock say it is too expensive and is at risk of a big pullback when interest rates begin to rise. A sharp spike in rates would probably hit the stock, but interest rates are likely headed higher at a gradual pace in the United States, and the next move in Canada could actually be down.

Investors shouldn't expect big near-term gains in the share price from the current level, but dividend growth remains steady, and the stock tends to hold up well when the broader market hits a rough patch.

Is one more attractive?

Both companies should be solid buy-and-hold picks for an RRSP portfolio.

If you only buy one, I would go with TransCanada as the first choice today. The pipeline company probably offers better dividend growth over the medium term, and any positive news on the mega-projects could give the stock a nice boost.

CATEGORY

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2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
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