BCE Inc. or Canadian National Railway Company for Your Retirement Fund?

Description

Canadian savers don't always have time to keep tabs on the daily performances of their TFSA or RRSP stock holdings.

In fact, many people would prefer to simply buy a few quality names and simply forget about them for a couple of decades until they need to cash out to fund their retirement.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) to see if one is an attractive pick today.

BCE

BCE continues to build on its dominant position in the Canadian communications industry.

The company closed its acquisition of Manitoba Telecom Services earlier this year in a deal that bumped BCE into the top spot in the Manitoba market and set the company up for an expansion of its presence in the western provinces.

BCE's mobile, wireline, and internet businesses are best known to investors, but the company also has a large media division that includes sports teams, radio stations, a television network, specialty channels, and an advertising agency.

The company also owns retail outlets across the country.

When all of these assets are combined with the wireless and wireline network infrastructure, you get a powerful company surrounded by an impressive moat. Think about it — BCE has the capability to interact with most Canadians on weekly, if not daily, basis.

The company pumps out adequate free cash flow to support its generous dividend and has the leisure of raising prices any time it needs a bit of extra cash.

That might irk customers, but it’s good for shareholders.

At the time of writing, BCE’s dividend provides a solid 4.7% yield.

CN

When it comes to wide competitive moats, CN probably takes the cake.

The company is the only railway in North America with tracks connecting three coasts, and the odds of new lines being built along the same routes are pretty slim.

CN still has to compete with truck companies and other rail carriers on some routes, so it works hard to ensure it’s operating as efficiently as possible. CN regularly reports the industry’s best operating ratio and is widely considered the best-run company in the sector.

Like BCE, CN generates significant free cash flow and does a good job of sharing the profits with investors. In fact, the compound annual dividend-growth rate for the past 20 years is about 16%.

CN gets a large part of its earnings from the U.S. operations, providing a nice hedge against economic downturns in Canada. In addition, profits get a decent boost when the American dollar rallies against the loonie.

Is one more attractive?

BCE provides a better yield, but CN likely offers stronger dividend-growth prospects along with important exposure to the United States.

If you have the funds, it might be worthwhile to add a bit of both stocks to your TFSA or RRSP portfolio to get good yield and benefit from economic growth.

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