RRSP Investors: Should BCE Inc. or Toronto-Dominion Bank Be in Your Portfolio?

Description

Canadian investors are searching for reliable stocks to add to their RRSP holdings.

Many people turn to the country's top companies when looking for anchor positions in the fund. This makes sense, especially when the names are market leaders with strong track records of dividend growth.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if one is an attractive choice today.

BCE

Rising interest rates have some investors wondering if this is the right time to own BCE.

Higher rates can close the gap between the yield paid by dividend stocks and the return an investor can pick up from a fixed-income alternative. As a result, there is a theory that says money that piled into BCE and other dividend plays in recent years could make a big exit to risk-free alternatives.

Whether or not that turns out to be the case is anyone's guess, but the market appears to be somewhat concerned.

BCE's stock is down from $62 in early December to about $57 per share at the time of writing.

The dividend currently yields 5%, which is much better than what any GIC is going to pay for some time, and BCE's track record of dividend growth should continue.

BCE bought Manitoba Telecom Services last year and recently closed its purchase of AlarmForce. In addition, the company launched Lucky Mobile near the end of 2017.

These new assets should provide a boost to cash flow and help support rising dividend payments. When the company needs a bit of extra cash, it can always raise its fees.

More weakness could be on the way, but BCE is starting to look oversold.

TD

TD generated strong results in fiscal 2017, and the good times should continue in 2018 and beyond.

The company is widely viewed as the safest of the Canadian banks for investors due to its reliance on bread-and-butter retail banking activities for the majority of its revenue and earnings.

Most investors are familiar with TD's Canadian operations, but TD has also invested heavily in building a U.S. presence, and the American operations now account for more than 30% of the company's earnings.

This provides a nice hedge against any potential weakness in the Canadian economy and gives investors a great way to get exposure to U.S. growth through a Canadian stock.

Fears about a meltdown in the Canadian housing market appear to have subsided, even as interest rates begin to creep up.

Some borrowers will likely find themselves in trouble if the rate hikes continue at the recent pace, but TD's mortgage portfolio is capable of riding out a downturn.

Overall, rising interest rates tend to be a net positive for the banks.

TD has a great track record of dividend growth, and that should continue. The current payout provides a yield of 3.25%.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for a dividend-focused RRSP portfolio. At this point, I would probably split a new investment between the two names.

For investors seeking growth picks, the market has other options available.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/23
Date Created
2018/01/28
Author
aswalker