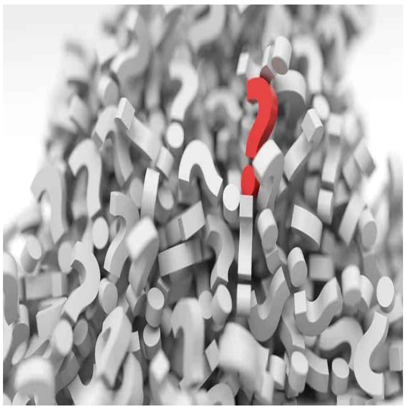

Dividend Investors: Should You Own Enbridge Inc. or BCE Inc. Today?

Description

Canadian dividend stocks are out of favour right now, which is pushing yields up to tempting levels.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:ENB) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see if they deserve to be in your portfolio.

BCE

BCE continues to grow through acquisitions and the launch of new businesses.

Last year, the telecom giant bought Manitoba Telecom Services in a deal that bumped BCE into the top spot in the Manitoba market and provided the company with a strong base in central Canada.

Later in the year, BCE announced its takeover of home security provider AlarmForce. The deal closed in January and BCE's customers could see attractive packages roll out in the near term.

Finally, BCE launched Lucky Mobile last fall. The low-cost prepaid phone service is BCE's move back into the space.

As a result of a busy 2017, investors could see a nice uptick in revenue in 2018 and beyond.

BCE generates ample free cash flow to cover the generous dividend. No payout is completely safe, but BCE's distribution is probably as close as you can get from a dividend stock.

Some investors are concerned that rising interest rates will trigger a massive flow of funds out of BCE and into fixed-income alternatives. There is likely some merit to the theory, but the pullback in the stock over the past two months might be a bit overdone.

BCE traded for close to $63 per share in December. Today, investors can pick it up for about $56.60. At the time of writing, that translates into an annualized yield of 5%.

Enbridge

Enbridge bought Spectra Energy last year in a $37 billion deal that created North America's largest energy infrastructure company.

Spectra added important gas assets and provided a nice boost to the capital program. In fact, Enbridge is working its way through $22 billon in near-term projects.

As the new assets are completed and go into service, revenue and cash flow should increase enough to support annual dividend growth of at least 10% through 2020.

The company is shifting its strategy to focus on regulated businesses and has identified $10 billion in non-core assets that will be sold. Management says $3 billion could go in 2018.

The proceeds will be used to reduce debt and strengthen the balance sheet.

Investors have bailed out of Enbridge in recent months amid the same interest rate concerns that have hit BCE and other go-to dividend names.

The stock is now down around $44 per share, and provides a yield of 6%.

Should you buy?

Additional volatility could be in the cards for these two stocks, but buy-and-hold investors looking for above-average dividends should be comfortable with the stability of the payouts.

It will be a long time before a GIC offers a similar yield, and the selloff in these stocks might be getting overdone.

If you have some cash on the sidelines looking for a home in an income portfolio, it might be worthwhile to add a bit of BCE or Enbridge while they are out of favour.

For investors who prefer growth stocks, there are other interesting opportunities in the market today.

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