BCE Inc. vs. Shaw Communications Inc.: Which Is Better for Your RRSP?

Description

As the RRSP contribution deadline approaches, many Canadians have to decide which dividend stocks they should add to their portfolios this year. I always recommend including one or two telecom stocks to investors who want to build their nest egg.

Canadian telecom companies operate in a very favourable regulatory environment, where competition is not too fierce, as it is in the U.S. Canadian telecom operators dish out a huge amount of cash in hefty dividends. This is a great benefit for investors who buy these companies' shares to grow their retirement income with no intention to sell.

Let's have a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) to see which of these telecom operators is offering better value in today's market.

BCE

No other company in the telecom space can match BCE's reach and the scale of its network. It's Canada's largest telecom operator, and it has been sending dividend cheques to its investors for decades.

Early this month, BCE announced a 5.2% increase in its dividend, taking its annual dividend to $3.02 a share, as the company benefited from one of the strongest wireless additions in many years. This dividend hike was BCE's 14th since 2008, representing a 107% jump since then.

Despite the regular growth in its cash payouts, BCE stock has seen major weakness this year on concerns that rising borrowing cost will hurt the company's profitability. After falling about 7% this year, BCE stock is trading close to the 52-week low of $54.44.

This pullback, however, has come at the right time for RRSP investors. At this price, you can pick a juicy dividend yield from this reliable company. Yielding ~5% per annum, you'll be able to get a return that is higher than what BCE offered during the past five years on average.

Shaw

In a market dominated by the “Big Three” players, Shaw Communications is a new player trying to find its space in the nation’s growing wireless market.

The company is investing heavily to improve the network of Freedom Mobile, which customers have long been complaining about due to its poor connectivity.

Shaw plans to deploy the 700 MHz and 2,500 MHz radio frequency blocks it purchased last spring for $430 million. It plans to spend an extra $350 million to deploy the spectrum and improve its network coverage and quality.

Shaw management is targeting to capture at least a quarter of the Canadian wireless market through its Freedom Mobile network. At its current share price of $25.5, Shaw offers a 4.4% annual dividend yield. The company currently pays a monthly dividend of $0.09875 per share.

Which one is better?

If you don’t want to take risk, then BCE is an obvious choice. Its current dividend yield is better than Shaw, and it has a loyal customer base.

Shaw isn’t a bad pick either if you have the stomach for some extra risk. The company has a lot of potential for growth due to its leaner structure. But Shaw is in the midst of transition, struggling to make up for the falling revenue from its legacy television business. At this stage, I would stick with BCE, but keep an eye on Shaw to add it at the right price and at a more attractive dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

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

Category

1. Dividend Stocks

2. Investing
3. Tech Stocks

Date
2025/09/06
Date Created
2018/02/18
Author
hanwar