



RRSP Investors: Should Fortis Inc. or BCE Inc. Be a Top Pick Right Now?

Description

Canadian savers are searching for reliable stocks to add to their [RRSP](#) portfolios, and the recent pullback in the telecom and utility names is serving up some interesting opportunities.

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

Fortis

Fortis owns natural gas distribution, electric transmission, and power generation assets in Canada, the United States, and the Caribbean.

The company has expanded over the years through acquisitions, with most of the recent investment occurring in the United States, including the US\$4.5 billion purchase of Arizona-based UNS Energy in 2014 and the 2016 acquisition of Michigan-based ITC Holdings for US\$11.3 billion. Fortis is also boosting its rate base through a five-year \$14.5 billion capital program.

The business now has more than half of its assets located in the United States, which is great for Canadian investors who want exposure to the U.S. through their Canadian stocks.

Fortis gets most of its revenue from regulated assets, meaning cash flow should be predictable and reliable. The company has increased its dividend every year for more than four decades, and management expects to raise the distribution by at least 6% per year through 2022.

The stock is down to \$43 per share from \$48 in November. At this level, the dividend provides a 3.9% [yield](#).

BCE

BCE just reported steady Q1 2018 results, which is pretty much what everyone expects from the communications giant.

The company is busy working through the integration of last year's purchase of Manitoba Telecom Services and the recently closed its acquisition of home security provider AlarmForce. In addition, BCE launched its new low-cost prepaid phone business Lucky Mobile last fall as it broadens out its segment coverage.

The world-class wireless and wireline assets, combined with BCE's large media division, create a powerful company that has the ability to interact with most Canadians on a weekly, if not daily, basis. In fact, every time a person in this country calls a friend, checks e-mail, listens to the radio, streams a movie, watches the news, or sends a text, the odds are pretty good BCE is involved somewhere along the line.

BCE's stock is down from close to \$63 in December to the current price of \$53 per share. The market is concerned that higher interest rates will trigger a shift of funds out of go-to dividend stocks and into fixed-income alternatives. In addition, higher rates could bump up BCE's borrowing costs and put a pinch on cash available for distributions.

These are valid points, but the pullback might be overdone.

BCE generates adequate free cash flow to support its generous dividend and has the power raise prices any time it needs more money.

The stock now yields 5.7%.

Is one more attractive?

Both BCE and Fortis should be solid picks for a buy-and-hold RRSP portfolio.

If you only choose one, I would probably make the power utility the first choice today. Fortis provides good exposure to the U.S. and currently offers a clear dividend-growth path for the next five years.

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