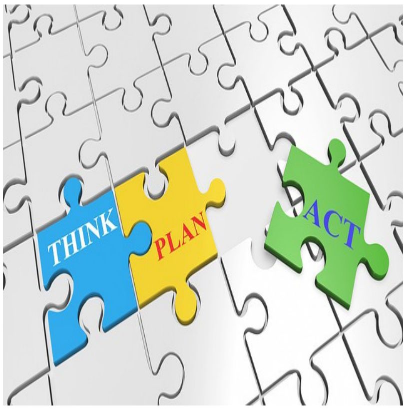

Is Enbridge Inc. or BCE Inc. a Better Dividend Stock for Your RRSP Today?

Description

Canadian savers are searching for the best dividend stocks to add to their RRSP portfolios.

Let’s take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) to see if one is more attractive right now.

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 to complement Enbridge’s focus on liquids pipelines, and it provided a nice boost to the near-term capital program. Enbridge is currently working through $22 billion in projects that should be completed through 2020. As revenue and cash flow increase, investors should see continued dividend growth in line with the historic trend.

Enbridge has increased the payout for 23 straight years at an average compound annual dividend-growth rate of 11%. The company raised its distribution by 10% for 2018.

Management recently announced deals to sell $3 billion in non-core assets as part of a strategic shift to focus on regulated businesses. The proceeds will be used to strengthen the balance sheet and help fund further development.

The stock is down from $56 a year ago to $42 per share amid concerns rising interest rates will drive up debt costs and lure investors away from go-to dividend stocks. The market is also worried about Enbridge’s long-term growth opportunities, given recent opposition to big pipeline projects.

These are valid points to consider, but the pullback looks overdone, and that’s starting to attract contrarian investors. In fact, Enbridge has already bounced more than 10% off the recent low. More gains could be on the way, and investors who step in today can still pick up a solid 6.3% yield.

BCE

BCE is also down, as investors wonder about a possible exodus out of the stock in favour of fixed-income alternatives. In addition, rising interest rates could push up debt costs and put a dent in cash flow available for dividends.

As with Enbridge, there is some merit to the concerns, but the sell-off in BCE since December might have gone too far.

The company reported steady Q1 2018 results and expects to see earnings per share and free cash flow grow through 2018. As a result, the dividend should be very safe and now provides a 5.7% yield.

At the time of writing, investors can pick up BCE for $53 per share compared to $63 last December.

Is one more attractive?

Both Enbridge and BCE should be solid buy-and-hold picks for a dividend-focused RRSP portfolio.

If you only choose one, Enbridge likely offers better dividend-growth prospects over the near term, and investors could see a nice rally on news of further non-core asset sales.

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