

A Solid Dividend Stock to Buy With a Yield Over 5%

Description

When you make a decision to buy a dividend stock, the most important factor to consider is how safe that payout is.

You'll be pulling your hair if you find out that soon after you buy the stock the management has decided to cut the dividend. To avoid this disaster, it's better to stick with companies that are the leaders in their respective industries and have a history of rewarding their investors.

Let's have a look at [BCE Inc. \(TSX:BCE\)\(NYSE:BCE\)](#) to see if this dividend stock offers good value at its current price.

BCE

Canada's largest telecom operator is one of the most widely held dividend stocks, providing steadily growing income to investors. During the past 10 years, BCE's payout has more than doubled. Following a 5.2% hike announced earlier this year, BCE's annual dividend rose \$3.02 a share this year, representing a 107% jump since 2008.

But despite this impressive performance on income distribution, BCE stock didn't fare well in a market where a threat of higher interest rates is proving a big drag.

Dividend stocks tend to be sensitive to interest rate movements, declining in price when interest rates rise. [Rising interest rates](#) can encourage investors to pursue more cyclical areas of the market that perform well when the economy is growing.

Both Bank of Canada and the Federal Reserve are tightening monetary policies, and that means telecom utilities are becoming less attractive for income investors when compared to fixed-income securities such as government bonds.

For long-term income investors, any weakness in BCE presents a good buying opportunity. The company has invested tens of billions of dollars in everything from wireless to data lines to media assets. BCE is rapidly expanding Canada's broadband fibre and wireless network infrastructure, with annual capital investments surpassing \$4 billion.

In the first quarter, BCE signed up 68,487 new wireless subscribers, more than analysts' estimates of about 55,000. It also attracted new broadband customers than this time last year.

Last quarter was the 50th quarter in a row BCE reported positive earnings before interest, taxes, depreciation, and amortization, showing the strength of its market position and its ability to generate positive cash flows.

The bottom line

Trading at \$54.78 and with an annual dividend yield of 5.53%, BCE stock is well positioned to provide

growing income to investors who want to buy and hold this stock. With the shares trading close to the 52-week low, the current price level is reflecting all the bad news. The next move from here is likely to be on the higher side.

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hanwar

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