



Income Investors: Should You Buy BCE Inc. (TSX:BCE) or TransCanada Corp. (TSX:TRP) for Your TFSA?

Description

Since its inception, the TFSA's total contribution limit has increased to \$57,500. At that level, investors who hold a basket of high-yield [dividend stocks](#) can pick up a nice tax-free income stream.

Let's take a look at **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **TransCanada Corp.** ([TSX:TRP](#))([NYSE:TRP](#)) to see if one is an interesting pick right now.

BCE

BCE is a giant in the Canadian communications market with world-class mobile and landline network infrastructure and a strong media business.

The company continues to find ways to grow through acquisitions and new product offerings and is investing billions to upgrade its network to ensure it meets growing data demand.

BCE just won the contract to operate Alberta SuperNet, which provides broadband network services to commercial and government customers in rural areas in the province. Last year the company bought Manitoba Telecom, and it closed its purchase of AlarmForce in early 2018. In addition, BCE is expanding its fibre-to-the premises program for residential and business customers in key markets.

Rising interest rates could be a headwind for the stock, but the 15% drop in the share price from the December 2017 high looks overdone. The company raised the dividend by more than 5% for 2018. At the time of writing, the payout provides a yield of 5.6%.

TransCanada Corp.

Energy infrastructure stocks have taken a hit in the past year, as opposition to big pipeline projects threatens growth opportunities and higher interest rates drive up borrowing costs.

These points are important to keep in mind when evaluating TC, but there could be some nice upside opportunity from the current level. TransCanada Corp. is pushing ahead with \$21 billion in

commercially secured near-term projects that should be completed in the next three years. As the new assets go into service, management intends to declare annual dividend increases of at least 8%.

Keystone XL and other long-term projects worth a total of \$20 billion are also under consideration, and a decision to move forward with any of the opportunities would likely result in a dividend-growth upgrade and a boost to the stock. Smaller, tuck-in opportunities exist throughout the company's infrastructure network to drive incremental growth. For example, TC just announced a \$140 million expansion of its NGTL System.

TransCanada Corp. has bounced 10% off the 12-month low to \$57 per share, but it traded above \$64 last summer, so investors might still pick up some nice gains. In the meantime, the current dividend provides a [yield](#) of 4.8%.

Is one more attractive?

Both BCE And TransCanada Corp. pay above-average dividends that should continue to grow. An equal investment in the two companies would provide an average yield of 5.2%.

If you only buy one, I would probably go with TransCanada Corp. as the first choice today. The yield is a bit lower, but the dividend should increase at a faster rate in the next few years, and the growth opportunities are likely better over the medium term.

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Date

2025/08/21

Date Created

2018/07/09

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