A Top Dividend Stock to Buy and Hold in Your TFSA for Decades

Description

Investors are in a no mood to commit their dollars in the last month of 2018, a year which has been a mixed bag. At a time when high-flying technology stocks are losing their appeal, some of the top dividend players are becoming attractive again and grabbing investors' attention.

If you are planning to use your Tax-Free Savings Account (TFSAs) to buy some quality dividend stocks in 2019, then this may be a good time of the year to make your move.

BCE (TSX:BCE)(NYSE:BCE) is one of my top recommendations to consider if you're a long-term investor whose aim is to build your retirement income by earning steadily growing income. Canada's largest telecom operator is slowly regaining its ground after remaining depressed for most part of the year.

Since reaching the 52-week low of $50.72 in October, the stock is on an upward trajectory, gaining about 10% and hugely outperforming the benchmark S&P/TSX Composite Index during the past three months.

In my view, the stock has still much more room to run on the upside, as we see uncertainty gripping the financial markets in 2019 on concerns about global growth and the future of interest rates.

BCE's strong business

Dividend stocks such as BCE are positioned to perform better than many asset classes in 2019. One big reason is that their businesses are mainly less affected in growth slumps. Cutting their internet connections and not paying cell phone bills are probably the last things they will consider when they come under financial distress.

I think the biggest signal that you should watch is when the Bank of Canada stops its rate-hiking cycle in 2019. That move will be the biggest driver of BCE stock's future upside and going back to over $60 a share.

Beyond these macro drivers, I don't see anything wrong with the company's growth model and its long-term income appeal for TFSA investors. BCE has made many right bets in the past five years that have positioned the company to produce better returns for shareholders.

Among the few measures that will fuel future growth are its billions of dollars investment on fibre-optic network to support faster internet speeds and make the utility prepared to offer 5Gs, the next generation of wireless network technology.

Bottom line

BCE has long maintained a policy of increasing its dividend by 5% annually and has used a series of acquisitions to partly fuel the cash flow growth necessary to keep boosting the payout. Its latest acquisition of Manitoba Telecom Services last year will soon begin to improve both top- and bottom-line profitability after its integration is complete.

These factors make BCE stock an attractive option for TFSA investors to consider, especially when its yield is still above 5% after the recent rally.

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