Is Fortis Inc. (TSX:FTS) or BCE Inc. (TSX:BCE) a Better RRSP Pick Right Now?

Description

Canadian savers are searching for top dividend stocks to add to their self-directed RRSP accounts.

Let's take a look at **Fortis** (TSX:FTS)(NYSE:FTS) and **BCE** (TSX:BCE)(NYSE:BCE) to see if one might be an attractive choice for your portfolio today.

Fortis

Fortis is major player in the utility sector in Canada, the United States, and the Caribbean. The company operates total assets of $50 billion and has more than 8,000 employees providing power generation, electric transmission, and natural gas distribution services to customers in five provinces, nine states, and three Caribbean countries.

Fortis gets more than 90% of its revenue from regulated utilities. This means cash flow should be steady and predictable, which is great news for dividend investors.

The company has raised its dividend for 45 straight years and the current payout of $0.45 per share provides a yield of 4%.

Management has implemented a five-year capital program of more than $17 billion that is expected to increase the rate base from $26 billion in 2018 to $35.5 billion in 2023. As a result, Fortis says it plans to raise the dividend by 6% per year over this time frame.

The company has made large strategic acquisitions in recent years and more deals could be on the way as the utility industry consolidates.

BCE

BCE's stock was under heavy pressure for most of 2018 due to fears about rising interest rates. The stock had previously benefitted from an inflow of funds from yield seekers in recent years as rates on

GICs fell. Now that interest rates are moving higher, some money is expected to shift back to safer alternatives.

A transition is certainly likely, but the pullback in BCE's stock price from $63 late last year to the 2018 low near $51 in October might have gone too far, and bargain hunters have since pushed the stock back up to $56.

More gains could be on the way as expectations for the pace of further rate increases get reset in Canada and the United States heading into 2019.

BCE is a dominant player in the Canadian communications sector and has the power to raise prices when it needs extra funds. Higher interest rates can make debt more expensive, but the CEO pointed out earlier this year that higher rates also boost the return on the pension fund, which could go back into a surplus position in 2019.

BCE generates solid free cash flow and ongoing dividend increases should continue. The current payout provides a yield of 5.4%.

Is one a better bet?

Fortis probably offers better dividend-growth prospects in the next few years, but BCE appears oversold today. If you have the cash, I would probably split a new RRSP investment between the two stocks right now.

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