



Top Pick Tuesday: Is it Time to Buy Bank of Nova Scotia (TSX:BNS) or BCE Inc. (TSX:BCE) Stock for Your RRSP?

Description

It's crunch time for Canadians who want to make their final RRSP contributions for the 2018 tax year, which has investors wondering which stocks might be attractive buys inside their [self-directed RRSP](#) plans.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) to see if one is an interesting pick for your RRSP portfolio today.

Bank of Nova Scotia

Bank of Nova Scotia went on an acquisition spree in 2018, buying two Canadian wealth management companies and boosting its presence in Latin America.

The purchase of Jarislowsky Fraser for \$950 million added one of Canada's leading independent investment firms and bumped Bank of Nova Scotia's assets under management in the Canadian Asset Management business by about \$40 billion to \$166 billion.

Shortly after the Jarislowsky Fraser deal closed, Bank of Nova Scotia announced an agreement to buy MD Financial for \$2.6 billion. The purchase brought an additional \$49 billion in assets under management and captured the attractive niche business that provides financial services to Canadian physicians and their families.

On the international side, Bank of Nova Scotia closed its US\$2.2 billion purchase of the part of BBVA Chile it didn't already own, doubling the bank's market share to 14% in the South American country.

Bank of Nova Scotia has built a substantial presence in Latin America with acquisitions primarily focused on Mexico, Peru, Chile, and Colombia. The international operations account for roughly 30% of total profits. Fiscal 2018 adjusted net income increased 10% compared to the previous year.

Assuming the acquired assets deliver the expected returns, investors should see solid results continue in 2019. Bank of Nova Scotia's stock is off the 2018 low, but still trades at a reasonable 11 time trailing

earnings.

Management raised the dividend twice in 2018 for a total increase of about 7.6%. At the time of writing, the dividend provides a yield of 4.6%.

BCE

BCE is Canada's largest communications provider with a market capitalization of more than \$50 billion. The company is investing in network upgrades to the tune of \$4 billion per year, thereby ensuring that it meets growing demand for broadband services across its wireless and wireline businesses. BCE has also expanded its footprint in recent years through the purchase of Manitoba Telecom Services and enhanced its product offerings when it acquired AlarmForce.

BCE is targeting revenue growth of 1-3% in 2019 and free cash flow growth of 7-12%. The company recently raised the dividend by 5%. The current payout provides a [yield](#) of 5.5%.

Is one a better RRSP bet?

Bank of Nova Scotia and BCE should both be solid picks for a self-directed RRSP portfolio. At this point, however, Bank of Nova Scotia appears oversold and will probably generate stronger earnings and dividend growth in the medium term. If you only choose one, I would make Canada's third-largest bank the first choice today.

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