



TFSA Investors: A Top Dividend Stock to Hold Forever

Description

It's not rocket science to identify top stocks that are [ideal candidates](#) for your long-term portfolio, such as your Tax-Free Savings Account (TFSA). Companies that have big competitive moats, growing free cash flows, and sticky services fit the bill.

If you're looking to add such a stock to your portfolio, then Canada's largest telecom operator, **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), should be on your shopping list. Let's find out what makes BCE stock a strong addition to your TFSA.

A great defensive play

When you pick a forever stock, one of the most important factors you should consider is the durability of its cash flows in both good and bad times. When economic growth slows down or a recession hits the economy, high-growth cyclical stocks usually underperform.

But in such an environment, utilities perform better, because it's unlikely that their business will suffer in a big way. Cutting cellphones or internet connections is probably the last item on someone's cost-cutting list, no matter how bad the economy is.

Keeping this context in mind, I find BCE is well positioned to carry you through any tough economic environment when returns are hard to come by.

A dominant player

BCE has a strong dominant position in Canada's highly regulated telecom market, where three big players make most of the revenues. BCE, through its diversified service offerings, including wireless, home internet, and media operations, has shown sustained growth in its subscribers.

BCE has made the right bets in the past five years, positioning the company to produce better returns for shareholders.

Among the few measures that will fuel future growth is its investment worth billions of dollars on its fibre-optic network to support faster internet speeds and prepare the utility to offer 5G: the next generation of wireless network technology.

In a shareholders' meeting last month, BCE CEO told shareholders that the company is on track to spend an additional \$20 billion over the next five years on advanced networks.

"This year your company will invest about \$4 billion of capital. It will be the same next year and will be the same the year after and the year after that," CEO George Cope was cited as saying in the meeting.

In total, BCE plans to spend \$20 billion of capital investments over the next five years as part of six strategic imperatives established about a decade ago.

Steadily growing dividends

BCE has long maintained a policy of increasing its dividend by 5% annually. As per the company's dividend policy, the company distributes between 65% and 75% of its free cash flow in payouts. In line with this policy, BCE has increased its annual payout by more than 100% since the fourth quarter of 2008. With an annual dividend yield of 5.2%, that payout is now at \$3.17 per share annually.

These factors make BCE stock an attractive option for TFSA investors to consider, despite its recent rally that pushed that stock value higher and closer to the 52-week high. The stock currently trading at \$60.25 after more than 10% rally this year. In general, telecom utilities are great investments for defensive investors, such as [your TFSA](#). These companies aren't too volatile when markets are going through an uncertain period.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Top TSX Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Top TSX Stocks

Tags

1. Editor's Choice

Date

2025/09/29

Date Created

2019/06/19

Author

hanwar

default watermark

default watermark