



Here's How Much a \$25,000 Investment in BCE (TSX:BCE) Could Grow in 25 years

Description

There's no one right or wrong way to save for retirement, but there are ways that you can give yourself the best chance of success in building a strong nest egg. For example, investing in a blue-chip stock that normally pays and increases its payouts over time is a good way to try and make the most of your investment.

If you're using a TFSA, it doesn't matter how you earn that income, because whether it is dividends or capital appreciation, the increases in income on eligible investments will still be tax-free. That's where it only makes sense to try and hold a good investment that also pays dividends, since it can help maximize your overall returns.

BCE is a safe choice that can offer significant returns

A good choice is a stock like **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), since it can offer investors lots of stability while also generating growth and dividend income along the way. Over the past year, the stock has climbed around 20%, and as a bonus, it currently yields approximately 5% in dividends.

And while 20% returns are not going to be the norm for a stock like BCE, by adding dividends into the mix, you can help pad more modest ones. In five years, BCE's stock has risen by around 34%, which averages out to about 6% per year, which is a much more likely annual return for the stock.

The big advantage for investors is that holding BCE stock for years could result in higher dividend payments over time, as the company has typically raised its payouts. Consider that five years ago, BCE was paying its shareholders a quarterly dividend of \$0.6175. Today, those payments have grown to \$0.7925 — an increase of 28% and an average compounded annual growth rate of 5.1%.

If we were to assume that payouts would continue to increase by that amount for the next 25 years and the stock would continue to average 6% returns, here's how much a \$25,000 investment in BCE might grow over the years:

Year	Portfolio	Annual Dividend	Cumulative Dividend	Portfolio + Dividend
1	\$26,507.02	\$1,247.25	\$1,247.25	\$27,754.27
2	\$28,104.89	\$1,311.07	\$2,558.31	\$30,663.20
3	\$29,799.08	\$1,378.15	\$3,936.46	\$33,735.55
4	\$31,595.40	\$1,448.67	\$5,385.13	\$36,980.53
5	\$33,500.00	\$1,522.80	\$6,907.93	\$40,407.93
6	\$35,519.41	\$1,600.72	\$8,508.65	\$44,028.06
7	\$37,660.56	\$1,682.62	\$10,191.27	\$47,851.83
8	\$39,930.77	\$1,768.72	\$11,959.99	\$51,890.76
9	\$42,337.83	\$1,859.22	\$13,819.21	\$56,157.05
10	\$44,890.00	\$1,954.36	\$15,773.57	\$60,663.57
11	\$47,596.01	\$2,054.36	\$17,827.93	\$65,423.95
12	\$50,465.14	\$2,159.48	\$19,987.41	\$70,452.56
13	\$53,507.23	\$2,269.98	\$22,257.39	\$75,764.62
14	\$56,732.70	\$2,386.13	\$24,643.52	\$81,376.22
15	\$60,152.60	\$2,508.23	\$27,151.75	\$87,304.35
16	\$63,778.66	\$2,636.57	\$29,788.31	\$93,566.97
17	\$67,623.29	\$2,771.48	\$32,559.79	\$100,183.09
18	\$71,699.69	\$2,913.29	\$35,473.08	\$107,172.77
19	\$76,021.82	\$3,062.36	\$38,535.44	\$114,557.26
20	\$80,604.48	\$3,219.06	\$41,754.50	\$122,358.99
21	\$85,463.40	\$3,383.77	\$45,138.28	\$130,601.68
22	\$90,615.21	\$3,556.92	\$48,695.19	\$139,310.41
23	\$96,077.59	\$3,738.92	\$52,434.11	\$148,511.70
24	\$101,869.23	\$3,930.24	\$56,364.35	\$158,233.58
25	\$108,010.01	\$4,131.34	\$60,495.69	\$168,505.70

By the end of year 25, that investment could be worth almost \$170,000. To get to \$100,000 would take approximately 17 years. This is, of course, based on assumptions and that both dividend increases will continue, as will the stock's upward trajectory.

Nothing is ever a guarantee in the markets, and investors need to remember that things can change very quickly, especially given the rate of innovation that we've seen over the years.

Bottom line

While investing \$25,000 into BCE won't be enough to have you retiring comfortably, if you have three or four investments like this, you can get you to well over \$500,000. This is also under a relatively [conservative approach](#), as BCE is a fairly safe stock to invest in both over the short and long term. There could be [greater returns](#) earned if you're willing to take on some risk in your portfolio.

Although there may be downturns in the markets, especially during recessions, stocks generally rise over the long term and can be safe investments, especially when they're blue-chip stocks that have solid fundamentals and that pay dividends as well.

CATEGORY

1. Dividend Stocks
2. Investing

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