A Top Dividend Stock to Buy for Growth-Seeking TFSAs

Description

What makes a stock a perfect candidate for your Tax-Free Savings Account (TFSA) if you want to hold it for capital growth and income? Fortunately, this question isn't too difficult to address. The world's most successful value investor, Warren Buffett, knows this art very well, and he had made it easier for us to understand.

The most common traits that companies share in this domain are these: a durable competitive advantage that Buffett defines as an "economic moat," growing free cash flows, and sticky services or products that we use in our everyday lives.

If you're looking to buy such stocks in this environment of economic uncertainty, then Canada's largest telecom operator, **BCE Inc.** (TSX:BCE)(NYSE:BCE) fits the bill. Here are three top reasons that make BCE stock a great addition to your TFSA.

Economic moat

BCE has a dominant position in Canada's highly regulated telecom market, where three big players make most of the revenues. BCE offers diversified services, including wireless, home internet, and media operations, allowing the company to add subscribers on a sustained basis and remain ahead of the competition.

In the most recent quarter, BCE reported a jump in its profit as the company expanded its wireless business at the fastest rate in 18 years. Net earnings for the three months to June 30 rose 8.2% to $817 million from the same period a year ago, while operating revenue increased 2.5% to $5.93 billion.

What's helping BCE is the company's successful growth strategy of the past five years that positioned it to produce better returns for shareholders.

Among the few measures that are boosting growth are 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.

Growing payouts

All that growth, however, will only matter to investors if a stock delivers them higher returns on their invested capital. 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 more than doubled its payout since the fourth quarter of 2008; the payout is now at $0.7925 per share quarterly.

These factors make BCE stock an attractive option for TFSA investors to consider, even after its recent rally that pushed its value more than 20% in the past one year. Trading at $64.21 at writing, the stock's yield is still close to 5%. That rate of return is quite attractive when yields on their assets are plunging.

A reliable defensive name

As well, telecom utilities are great investments for defensive investors, such as your TFSA. These companies aren't too volatile when markets are undergoing an uncertain period, as people wouldn't ever consider cutting utilities in a recession. That stickiness provides stability to their cash flows, making them perfect TFSA stocks.

CATEGORY

1. Cannabis Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks

2. Dividend Stocks
3. Investing

Date
2025/07/01
Date Created
2019/10/20
Author
hanwar