TFSA Income: 1 Dividend Stock I Like More Than BCE Inc. (TSX:BCE)

Description

For long-term income investors, it's not just about the upfront yield you'll receive. It's also about the price you'll pay and the magnitude of dividend growth you'll receive over the years.

Although it's sexy to get the highest yield possible, one should consider the total returns to be had moving forward because like it or not, a large dividend is less meaningful if the total return is negative due to share price depreciation.

Consider **BCE** (TSX:BCE), a dividend darling that's loved by many income investors for its 5% dividend yield and a lower degree of volatility relative to the broader markets.

The stock has also posted substantial capital gains over the last decade, but as you've probably heard ad nauseam from your financial advisor, past performance is not indicative of future returns — a warning that ought to be heeded when it comes to BCE.

Due to its sheer size and rising competitive pressures in the Canadian telecom scene, the company looks doomed to suffer from flat growth moving forward. Given the stock's rich valuation (19.1 times trailing earnings), the name could be at risk of falling into another correction should the company not have an answer to a changing telecom landscape that's about to become that much more competitive.

Although BCE's dividend is safe and sound, investors may not be happy with total returns from the name given the less favourable conditions that lie ahead.

So, which stock looks like a better bet than BCE at this juncture?

Look no further than the disruptor of the Big Three: **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

The stock sports a fat 4.4% dividend yield, and unlike BCE, Shaw has a longer growth runway with its wireless business, Freedom Mobile, which only has a 5% share of Canada's wireless market. Management desires to grow Freedom such that it has an equal 25% wireless market share with its bigger brothers in the Big Three.

Freedom Mobile has been aggressively undercutting its peers and forcing them to play in its arena or risk substantial subscriber losses. In a prior piece, I noted that Freedom is "forcing" its competitors, who previously enjoyed the perks of being in a triopoly, to play in an arena with unlimited data plans, no overages, and lower fees.

Freedom has been picking up a considerable amount of momentum with its wireless business. And although its Big Three peers will surely make moves to slow Freedom's rise, we will likely eventually hit a Nash equilibrium that bodes well for Shaw's wireless growth potential moving forward.

At 18.7 times trailing earnings, Shaw is priced in-line with its peers. Given the firm's small size and favourable economic conditions to be enjoyed by Freedom Mobile, though, I see shares as deserving a substantial premium relative to its bigger brothers, especially BCE.

Over the next five years, Shaw looks to be a far better bang for your buck. The wireless business is picking up traction. With room to catch up in wireline (Shaw is falling behind regarding 4K offerings), Shaw can support above-average growth alongside its growing dividend.

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