Dividend Investors: Should TD (TSX:TD) or BCE (TSX:BCE) Stock Be in Your TFSA Today?

Description

Canadian savers are using their TFSAs to set aside cash for retirement, or to generate tax-free passive income to complement their other pension payments.

The total TFSA contribution limit has increased to $63,500 per person, giving Canadian residents a decent amount of room to invest in top-quality dividend stocks and not have to worry about paying tax on any distributions or capital gains.

Let's take a look **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) and **BCE** (TSX:BCE)(NYSE:BCE) to see if one deserves to be on your buy list right now.

TD

TD generated solid results in its 2019 fiscal third-quarter. Adjusted net income for the three months came in at $3.34 billion, or $1.79 per share, compared to $3.27 billion, or $1.75 per share, in the same period last year.

The bank's U.S. operations clocked the best performance in the quarter on a year-over-year basis. Adjusted net income generated in the U.S. rose 9% to US$967 million. When converted to Canadian dollars, the total was $1.29 billion. That's an increase of 11% over Q3 2018.

Investors get good exposure to the U.S. economy through TD and the U.S. division provides a nice revenue balance.

TD is investing in digital platforms to ensure it remains relevant in a changing environment. With a market capitalization of roughly $140 billion, TD has the size to make the large capital commitments needed to compete with non-bank challengers in the financial services sector.

The board does a good job of sharing the profits with investors. TD has an aggressive share buyback program and consistently bumps up the dividend by a generous amount. In fact, TD has hiked the payout by a compound annual rate of about 11% over the past 20 years.

The current distribution provides a yield of 3.9%.

BCE

BCE is Canada's leading communications company with world-class wireless and wireline networks delivering mobile, TV, and internet services to people and businesses across the country.

The company is investing billions of dollars to bring fibre-optic lines right to the doors of its customers. This should widen its competitive moat while ensuring Canadians get the broadband they require for all their data consumption.

BCE has made strategic acquisitions to boost the product offerings to its clients. For example, the company purchased AlarmForce as part of its push to increase security services. The evolution of the smart home using IoT technology gives BCE a wide array of opportunities to provide new product and service options to its clients.

The company reported solid Q3 2019 results. Net earnings increased 6.3% compared to the same period last year, supported by industry-leading subscriber growth.

BCE generated $1.19 billion in free cash flow in the quarter, representing a 17.3% gain over Q3 2018.

BCE raised the dividend by 5% for 2019, and a similar increase should be on the way next year. At the time of writing the payout provides an annualized yield of 4.9%.

Is one more attractive?

BCE and TD should both be strong long-term picks for a dividend-focused TFSA.

A few months ago, I would have made TD the first pick, but the share price has rallied off the August low and now appears reasonably priced. As such, I would probably split a new TFSA investment between the two stocks today.

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aswalker