



Dividend Investors: 1 Top Stock to Start Your Retirement Income Fund

Description

Canadian pensioners and other [income investors](#) are searching for ways to boost the returns they get on their savings.

The good old days of generating decent income from a high-yield savings account or GICs are gone and unlikely to return in the next few years. Most bank accounts now pay little or no interest. GIC rates from the big Canadian banks briefly hit 3.5% in the fall of 2018, but have since plunged to below 2%.

This means quality dividend stocks and are really the only game in town.

Best dividend stocks

The market crash in March served as a painful reminder that stocks carry risks.

What we have seen in the past two months, however, is that top-quality [dividend payers](#) with reliable and growing distributions tend to recover quickly. These companies generally have low betas, meaning that they tend to be less volatile than the broader market. In addition, the best stocks have the ability to ride out the recession.

Let's take a look at one stock that might be an interesting pick right now for a TFSA retirement income fund.

BCE

The pandemic lockdown has mixed implications for **BCE** ([TSX:BCE](#)) ([NYSE:BCE](#)). On the retail side, the company's stores located in shopping malls across the country have not been open for phone and electronics customers to test out new products.

In addition, BCE is part owner of Maple Leaf Sports and Entertainment — home to the Maple Leafs, Raptors, Argos, and Toronto FC.

The shutdown of the NHL and NBA is ongoing and a return to play in arenas full of fans won't likely happen until 2021.

The television network, radio stations, and BCE's advertising company are also impacted. Businesses have pulled back on ad spending to protect cash as they try to ride out the lockdowns, which should improve heading into 2021.

BCE's world-class wireless, TV, and internet businesses are showing their value. People are working from home and might continue to do so even if they have the option to return to offices later in the year.

Plan upgrades and new subscriptions for movie streaming and other services should get a nice lift as a result, and customers might maintain the new services as we enter the new normal.

A drop in new customer installations during the worst months of the lockdowns could lead to a rebound later in the year, although the annual boost from university students might not occur.

Results

BCE reported a 4% increase in adjusted net earnings for Q1 2020 — which is decent in an environment where many companies saw revenue completely collapse in March.

The company generates solid free cash flow to cover the dividend and the planned capital expenditures. In addition, BCE has the power to raise prices when it needs extra cash.

The communications giant had \$3.2 billion in liquidity at the end of Q1 and continues to maintain a strong balance sheet. A recently announced deal to sell 25 data centres for \$1.04 billion in cash provides additional stability and funding to meet capital requirements.

BCE trades at \$58.50 per share and offers a dividend yield of 5.7%. The board raised the distribution by 5% in 2020, maintaining the long track record of reliable dividend growth. Once the media businesses see revenue improve, investors could push the stock back toward the 12-month high near \$65.

The bottom line

BCE's dividend should be very safe, and investors could even see another increase in the first half of 2021 if the economic recovery arrives as expected.

If you're searching for a sleep-easy stock to add to your income portfolio, BCE deserves to be on your radar right now.

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