Here’s How Much You Could Be Making in Dividends From BCE Stock 5 Years From Now

Description

Investing in dividend stocks that grow their payouts every year is a great way to build and accumulate wealth. Even if the stock pays a modest dividend yield today, its payouts could look a whole lot different years from now.

BCE (TSX:BCE)(NYSE:BCE) is an industry leader in telecom, and it’s one of the more stable dividend stocks you can buy on the TSX. With a beta value of around 0.30, you know the stock is not going to be nearly as erratic as the markets are. Through the first five months of 2020, shares of BCE were down a modest 5%. That’s not bad considering the TSX declined by 11% during the same period.

A low-beta stock is ideal when all you want to do is collect a payout. You don’t want to have to worry about wild stock fluctuations, nor do you have to keep checking on your stock to make sure that your investment is still safe. That’s what makes BCE a good dividend stock. And annual rate hikes make it an even better stock to own.

A look at the company’s recent rate hikes

When BCE reported its fourth-quarter results back in February, it also announced it would be increasing its quarterly dividend payments by 5%. Investors would be earning $0.8325 every quarter for each share of BCE they owned. The previous payment was $0.7925.

If we look back five years ago, BCE was paying its shareholders $0.65 every quarter. The dividend has risen by 28% since then. That averages out to a compounded annual growth rate of 5.1% — which is consistent with its latest rate hike. That tells us that the company’s rate has remained steady over the past five years. That’s important because it means it makes it a whole lot easier to project where its dividend payments may be five years from now.

Here’s how much its dividend payments could be in another

five years

Assuming BCE continued to increase its dividend payments by 5% for the foreseeable future, that means in five years the stock could be paying you as much as $1.06 per share. Let's put that into context using an example.

If you were to invest $10,000 in BCE today, your annual dividend income would be approximately $580 based on the company's current dividend yield of 5.8%. But in five years, that income could grow to be $740; you'd be earning about 7.4% on your original investment of $10,000.

And the longer that you hold shares of BCE, and the longer the company increases its payouts, the higher that percentage will grow. That's why there's a significant incentive to holding a dividend stock for not just years but decades. For instance, if BCE were to continue raising its dividend by at least 5%, then after a little more than 14 years, your dividend payments would be double what they are right now.

Investors shouldn't assume dividend growth is a given

One important thing to remember is that dividends are discretionary and investors can't assume that just because a company's raised its dividends in the past that it'll continue doing so forever. The COVID-19 pandemic has led to many companies cutting or suspending their dividend payments. Even ones that weren't particularly risky have had no choice but to slash their payouts.

For now, however, BCE's dividend looks to be safe, even amid the pandemic, and one that you can contribute to your portfolio's long-term growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/07/01
Date Created
2020/06/20
Author
djagielski