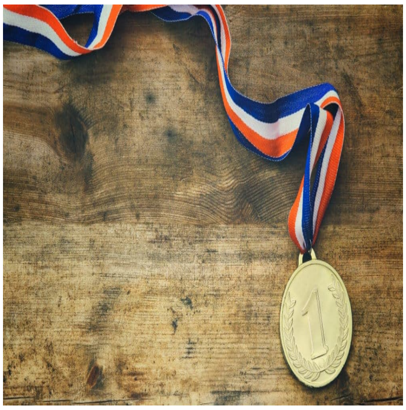

Retire Rich: A Top Dividend Stock to Buy Now

Description

If you want to make a meaningful contribution to your retirement goals, you should consider buying top dividend stocks that yield more than the risk-free assets.

This strategy is worth pursuing when the rate of return on some of the safest investments, such as GICs and bank savings accounts, is close to zilch.

Let's take the example of GICs. The best rate you can get these days on a five-year GIC is 2.3%, according to ratehub.ca.

When rates are so low, it makes sense for Canadian retirees to buy top dividend stocks with durable competitive advantages, strong recurring cash flows, and a clear bias to return capital to investors.

Which top stocks should you buy?

Top dividend stocks that fit nicely in this strategy include Canadian banks, utilities, and telecom operators. These stocks are considered defensive plays, because these companies continue to pay dividends even when markets face a prolonged downturn.

Many utilities, such as telecom companies, pay regularly growing dividends, allowing their investors to earn a bond-like income, even if the share prices don't appreciate much.

With low interest rates making bonds themselves less attractive, utility stocks have become more appealing.

What makes BCE a top dividend stock?

Among the top-performing utilities stocks is **BCE** (TSX:BCE)(NYSE:BCE), Canada's largest telecom operator with a massive moat — a term coined by Warren Buffett for companies with a strong competitive position.

This leading position in the industry means that retirees will continue to benefit, as the company rewards its investors with growing payouts each year.

The company is spending billions of dollars to improve its network and to get ready for the rollout of fifth-generation services in the coming years. The company spends roughly $4 billion annually on wireless and fibre network and service development.

That being said, BCE will get a hit on its earnings, as the COVID-19 pandemic reduces the usage of wireless networks and as consumers hold on to their old plans. During the first quarter, BCE's wireless revenue fell 2% to $2.04 billion.

Overall, BCE's revenue in the quarter fell 0.9% compared with last year, while adjusted net income was up 4% to $720 million.

Quebec-based BCE has three business units operating primarily in Ontario, Quebec, Manitoba, the Atlantic provinces, and the territories. Its wireline division offers data, internet, and TV services and accounts for about half of sales.

For retirees who depend on the company's payouts, BCE has been a decent investment. During the past decade, the company has more than doubled its payout to $3.33 a share annually.

In 2020, BCE stock looks more appealing, as the Bank of Canada remains firmly on the sidelines, keeping bond yields low. Trading at $55.97 with an annual dividend yield of 6% at the time of writing, BCE stock is a top choice for retirees.

Bottom line

Even in this low-rate environment, retirees can still earn a better return to improve their retirement income. In order to achieve that goal, they need to buy some top-quality dividend stocks and hold them for a long time.

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2. Investing

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