TFSA Investing: Buy Rogers, Telus, or BCE Stock in 2021?

Description

It's a point of some conjecture as to whether Canadian investors make enough use of their Tax-Free Savings Accounts (TFSAs). Generally speaking, though, whether or not a TFSA is used to its fullest may be a secondary consideration. More important might be how investors use a TFSA. A mix of growth and passive income is often the best middle route to long-term wealth creation. But which names best support this strategy?

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Buy wide-moat dividend stocks

When it comes to long-term TFSA investing, the wider the moat, the better. The **TSX** is a unique market in that it contains several massive industries presided over by just a few handfuls of names. For instance, the Canadian telecoms space is largely dominated by three names. Take **BCE** (TSX:BCE)(NYSE:BCE), **Telus** (TSX:T)(NYSE:TU), and **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), and you have about 90% of the market cornered.

Among these three businesses, communications coverage is more or less evenly split. Each stock also does its own thing in terms of business operations. This dynamic also helps to maintain this three-way split. Telus is a pure-play on wireless communications with a 4.9% yield. BCE brings exposure to Bell Media. Rogers is a must-have stock for sports fans. Each name is also focused on territory. All of this helps to maintain each company's economic moat.

As such, these three names don't encroach too much on each other. Yes, customer churn is part of the landscape when it comes to carriers. But that's one particular issue that dogs any industry dominated by just a few names that are out to poach each other's subscribers. Look at the highly competitive content streaming wars, for instance. In fact, that's an apt example, given that Bell has its own horse in that race: Crave.

Investors may instead wish to plump for Rogers, a company that is in growth by acquisitions mode. Its attempt to buy out **Cogeco** might not have borne fruit. But the takeover bid highlights the potential for Canada's communications market share to shift in the coming years. There's also the possibility for a recovery rally in this space. All of this adds to up to growth potential in the Rogers brand.

Mixed media stock investments for TFSA growth

Selling at three times its book price, Rogers pays a moderate 3.3% dividend yield. Earnings growth could be in the 10% region annually. BCE trades with a similar valuation, except its dividend yield is considerably higher at 5.9%. In terms of earnings growth potential, BCE's could shake out at 14% annually. At a glance, then, BCE does look like the stronger play for hybrid media and telecoms investing.

TFSA investors should consider the influx of marketing revenue that could come as a result of a reopening. There's also the likelihood for roaming fees to start pouring back in, just as soon as people go back to actually roaming once again.

And for Rogers in particular, a return to normal sports seasons will almost certainly see its share price soar. In short, all three major stars in Canada's firmament of communications providers could go supernova.

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TICKERS GLOBAL

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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Date

2025/08/22
Date Created
2020/12/15
Author
vhetherington

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