Forget BCE Stock! 1 Growthier Alternative for Safe Passive Income

Description

BCE (TSX:BCE)(NYSE:BCE) is a wildly popular dividend stock for many investors who want a safe, but bountiful dividend to fund their passive income streams.

While I am a huge fan of the dividend and the improving telecom industry backdrop ahead of the continued rollout of next-generation telecom tech, including 5G, I do think BCE leaves little to be desired on the valuation front.

The stock is quite expensive here, and it's expensive for a very good reason. BCE stock offers one of the most secure dividends, with yields near the 6% mark. It's a staple for any passive income fund. But for that reason, shares seldom go on sale.

So, unless you're a Canadian retiree who couldn't care less about capital gains, I'd look to some of the cheaper options out there on the **TSX**. While many sport higher betas (that means they're more volatile and correlated to the broader market) and far smaller yields, I'd argue that in terms of total returns (dividends plus capital appreciation in shares), long-term investors would be far better off passing on BCE for other dividend opportunities that can offer more bang per buck.

Restaurant Brands

Consider **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). I've been pounding the table on Restaurant Brands stock for quite some time. Of late, I've looked mighty foolish (lower-case "f"), as QSR stock has effectively gone into hibernation for around a year. In recent weeks, the stock has picked up negative momentum, plunging over 8% from its 2021 high and for no real good reason.

Yes, QSR's results have stunk thus far. But with the great economic reopening underway, I think it's absolutely ridiculous that the stock is selling off rather than rallying like many of its better-performing peers in the fast-food scene.

Don't underestimate the power of a good brand. Despite recent COVID pressures, I think QSR has a plan to make an epic comeback for the ages. With more light shed on its restaurant modernization investment initiatives, I think QSR could go from laggard to leader in as little as three years.

Tim Hortons has sagged, with Burger King has flip-flopped and Popeyes is leading the charge. Once management can get all three brands firing on all cylinders, there’s no telling how QSR stock could fly. If you’re got a long-term time horizon, I’d back up the truck on this dip while the dividend yield is north of the 3.3% mark.

The dividend is less bountiful than BCE, but by foregoing the 2.5-3% in additional yield, you’ll get so much more on the (dividend) growth front.

Over the extremely long-term, I do think QSR can outpace BCE’s dividend growth in a big way. So, if you’re young with decades to invest, QSR stock is a much better value than BCE at this juncture.

Foolish takeaway

If you’re looking for bond proxies and have muted capital gains expectations, you have my blessing to buy BCE stock, even at these heights. That said, I believe that long-term investors can do far better by leaving BCE’s near-6% dividend yield on the table as they pursue greater growth.

So, if you plan to reinvest your dividends, it’s probably a better idea to put a raincheck on BCE and gravitate toward the names that offer greater dividend growth and capital gains potential over the long haul.

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