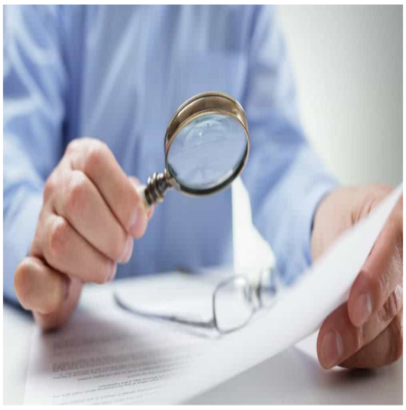

Passive Income: BCE or Telus Stock — Better Dividend Stud for Your Buck?

Description

Passive-income investors have a tough task on their hands, as the TSX Index and S&P 500 return to rally mode just weeks after closing in on bear market territory. Though there are still plenty of juicy (and safe) dividend studs out there, I think that passive investors can get a bit more bang for their buck by opting for one of the lesser-known plays in the telecom arena. Indeed, **BCE** (TSX:BCE)(NYSE:BCE) stock is one of the most enticing plays in the industry for its large dividend.

Though its 5.72% dividend yield is more than safe, with the means to grow at a high single-digit rate (or more) annually, the price of admission doesn't imply a considerable margin of safety. At 20.5 times price-to-earnings (P/E) multiple, BCE stock is close to in line with historical and industry averages. Now, BCE stock also doesn't have a huge growth rate.

BCE: A great yield, but growth prospects uncertain

BCE trades as though it can take meaningful share away from its Big Three telecom incumbents over the next several years. Further, with media assets weighing down longer-term growth, it's arguable that BCE stock should trade at a relative discount to some of its growthier peers.

While BCE is a magnificent play if you seek to maximize your passive income (it's hard to find a more resilient stock yielding 5-6.5% these days), I think younger investors willing to forego a bit of yield for growth should seek to do so. At current levels, less yield and more growth seems to come at a discount.

So, without further ado, check out fellow Big-Three rival **Telus** (TSX:T)(NYSE:TU), which yields 4.55% at writing — more than a whole percentage point of yield less than that of shares of BCE.

Telus: A dividend rock star in the making

At 22.3 times P/E, Telus looks to be a tad pricier than BCE. And with a smaller yield, many may think the stock is a worse deal than BCE. I'll admit, BCE stock looks like a better deal upfront. However, for those looking for a better balance of growth and passive income, it's tough to top the name. Further, Telus stock has outperformed BCE over the last five years, with 34% gains versus just 9%. On a total-returns front, it's a closer race. However, I wouldn't rule out Telus's ability to move beyond recent margin pressures now that its sights are fully set on telecom.

Telus doesn't have an IT business anymore, nor does it have media assets to distract it from growing its wireless and wireline businesses. In the second quarter (Q2), Telus clocked in 93,000 net wireless customers, below the 111,000 added by BCE for the same timeframe. Indeed, Telus's pace seems to have slowed on a relative basis. It's tougher to take share in a wireless market that appears to have reached equilibrium.

In any case, I prefer Telus over the next five to 10 years due to its ability to invest wisely in infrastructure. Telus has a reputation for high-quality network and customer service. These traits should help Telus rise over the coming years, as it looks to get aggressive at future spectrum auctions.

BCE or Telus stock: Which passive-income play is right for you?

Personally, I'm a bigger fan of Telus stock, as I believe its longer-term growth profile is more robust. Further, the lack of lower-return media assets is a major plus, in my opinion. If you're keen on getting more yield for your investment dollar, BCE stock may better suit your needs.

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