BCE Stock: A Great Pick to Boost Your RRSP Retirement Fund

Description

The Canadian stock market has not looked back from the June depths. As the TSX Index sets its sights on new highs, many RRSP (Registered Retirement Savings Plan) investors may wish to pick up the many bargains while they still last. Undoubtedly, the **Nasdaq 100** and **S&P 500** have stolen the spotlight of late, with huge gains off those June lows. Though there's more upside momentum in the U.S. markets, I'd argue that there's still greater value on this side of the border. With a relatively weak Canadian dollar, I'd argue the **TSX Index** is a value investors' paradise, even after the recent bout of optimism.

Inflation is showing signs of peaking. In the states, it fell from 9.1% to 8.5%. And in Canada, inflation slipped from 8.1% to 7.6%. Indeed, inflation is still hot, so it's not quite yet time for a round of applause. As the Bank of Canada continues to raise rates, we'll eventually see inflation begin to roll over. Though inflation could plunge quickly, I wouldn't bet on a "normal" 2% in inflation by year's end.

Inflation could remain well above 5% for many months, and that will continue to chip away at our purchasing power. RRSP investors may be enticed by the now higher yields to be had in fixed-income debt securities. Government bond funds now yield just north of 2%, while corporate bonds offer more than 3%. On the GIC (Guaranteed Investment Certificates) front, 3.2–3.5% yields are possible with a lock-in period of around 18 months. Non-bank GICs offer even richer yields.

Undoubtedly, the case for rotating back into risk-off securities following the first-half sell-off is tempting for RRSP investors. However, I think there are far better bangs for one's buck in good, old-fashioned equities.

BCE stock: A rich dividend at a fair price

Consider the Canadian telecom scene, with firms like **BCE** (TSX:BCE)(NYSE:BCE) that offer dividend yields well north of 4%. BCE stock sports a 5.6% yield at writing after enjoying a 6% bounce off June lows. Indeed, those who wait for a pullback in this Canadian banking name can get a shot at a +6% yield. However, I do think waiting around for a pullback can be just as risky for cash hoarders and conservative investors as going too heavy in equities.

There's upside risk and downside risk. With market momentum is in the green, there's a real chance that BCE's dividend yield could shrink to 5%, as the gains come in and the stock looks to make new highs.

BCE isn't the growthiest telecom in the world. Its media assets will stunt growth, and its nearly $60 billion market cap is doing the firm's growth profile no favors. In any case, I expect low single-digit growth is possible, as the firm continues improving upon its wireless infrastructure.

Further, the Canadian telecom appears more like a Big Three triopoly, in my opinion. As one telecom drops the ball, others will benefit. Following Rogers Communications' national outage in July, I'd argue that BCE has a lot to gain going into year's end.

It's not just about pricing and network quality. Reliability is a big deal in the telecom world. And with Rogers falling on its face this summer, BCE could have the means to take share in a big way. At writing, BCE stock trades at just shy of 21 times price-to-earnings (P/E), in line with industry averages. The way I see it, you're paying the industry average for a firm that may be better than its peers.

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joefrenette