



TFSA Investors: Earn Easy Passive Income With This 1 Stock

Description

Choosing the right stock to generate a passive income stream can be tricky, especially if you want it to stand the test of time. Even industry giants and long-established aristocrats may falter in a tough market, and **Suncor**'s dividend slash in 2020 was an eye-opening example of this phenomenon.

Still, companies with a dominant position in their industries and a history of sustaining or growing their payouts stand out from the collective pool of dividend stocks, especially if they offer a healthy yield. One such stock that you can stash in your TFSA to start enjoying relatively reliable passive income is **BCE** ([TSX:BCE](#))([NYSE:BCE](#)).

The telecom giant of Canada

There are three telecom giants in Canada, and among them, BCE has been the largest company by [market cap](#) for quite a while. The largest telecom company in Canada operates through eight different business segments and has an impressive consumer base (over 22 million people) in both wired and wireless segments.

Since voice calls and conventional phones are becoming obsolete at a rapid pace, the bulk of BCE's "wired" consumers are from the broadband and TV segments. It also has a decent number of wireless customers and invests heavily in new technologies, which makes it one of the best [5G stocks](#) in Canada (though not *the* best).

Passive income potential

BCE has been a coveted dividend stock for a long time. It's a well-established aristocrat and has grown its payouts for 13 consecutive years. The financial stability of its dividends declined over time, especially since 2020 when the payout ratio breached the 100% mark for the first time in the last decade. But the company has still managed to grow its payouts, and the growth is decent enough.

In the last five years, BCE has grown its payouts from \$0.755 a share to \$0.92 a share. And if it sticks

to this growth pattern, you may see dividends of over \$1 per share in the next two years. If the financials are in better shape by that time, the payout ratio might also revert to safer levels.

BCE is currently offering a healthy 5.7% yield. If you invest \$30,000 from your TFSA into this company, you can expect a monthly income of about \$142. That's a reasonable sum for the capital invested and will most likely keep growing over time.

And even though dividends are the investment highlight of BCE, the company offers modest capital appreciation potential as well, enough to keep your capital ahead of inflation. The share price has grown about 45% in the last ten years. And considering the current valuation, which is just moderately overpriced, the stock seems like a better buy from both dividend and growth perspectives.

Foolish takeaway

BCE also offers healthy dividend sustainability potential. There is little new competition in the Canadian telecom market, and there is still a lot of room for growth in the 5G market. This market will only grow if the Internet of Things (IoT) becomes a mainstay reality and starts leveraging new wireless technologies like 5G and 6G. This will open up new growth avenues for telecom giants like BCE.

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Author

adamothonman

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