Should You Buy BCE Stock or Fortis Today for Passive Income?

Description

The market correction is giving retirees and other investors seeking quality passive income a chance to buy top TSX dividend stocks at cheap prices. **BCE** (TSX:BCE) and **Fortis** (TSX:FTS) are down from their 2022 highs, and investors are wondering if one is a good stock to buy right now.

BCE

BCE trades for close to $60 per share at the time of writing compared to $74 earlier in the year. The steep drop in the share price appears exaggerated when you look at the steady performance of the business in 2022 and the essential nature of BCE's core mobile and internet subscription services.

BCE generated solid results in the third quarter (Q3) of 2022. The company saw operating revenues increase 3.2% compared to the same period last year. Adjusted earnings per share increased 7.3% and free cash flow rose 13.4%. Management said the company is on track to hit its financial targets for the year. This should support a decent dividend increase for 2023.

BCE raised the dividend by at least 5% in each of the past 14 years. At the time of writing, investors can pick up a 6.1% dividend yield.

BCE has the power to raise prices when its costs increase. This is important in the current era of high inflation. BCE enjoys the balance sheet strength required to make the capital investments needed to drive revenue growth while protecting the wide competitive moat. The company is expanding its 5G mobile network after spending $2 billion on new 3,500-megahertz spectrum last year and continues to run fibre optic lines right to the buildings of its customers.

Fortis

Fortis trades for close to $54.50 at the time of writing. It was above $65 at one point this year. Fortis owns $64 billion in total utility assets serving 3.4 million customers across Canada, the United States, and the Caribbean. The revenue mix is 82% regulated electric and 17% regulated gas. The final 1% is non-regulated energy infrastructure.

This means cash flow should be predictable and reliable, even during challenging economic times.

Fortis announced a $22.3 billion capital program for 2023-2027. This will generate an annual average rate base growth of 6.2%. As a result, Fortis intends to increase the dividend by 4-6% per year over the medium term. The board recently raised the payout by about 6%, extending the dividend-growth streak to 49 years.

At the time of writing, Fortis stock offers a 4.1% dividend yield.

People and businesses need to keep the lights on and heat the building regardless of the state of the economy. This should make Fortis a good stock to own during a recession.

The bottom line on top stocks to buy for passive income

BCE and Fortis pay attractive dividends that should continue to grow in the coming years. Both stocks look oversold right now and should be solid picks for a portfolio focused on passive income.

If you only buy one, I would probably make BCE the first pick today. The yield is higher, and the stock probably has better upside potential when the market rebounds.

CATEGORY

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