3 Income Stocks I’d Buy With an Extra $7,000

Description

Once in a while, dividend investors find themselves with a bit of extra cash. It could come from a tax refund, a bonus at work, or even a diligent personal savings program.

Regardless of the source, you want to invest the money in a way that provides consistent income while minimizing long-term risk to the initial investment. Buying stocks always entails some risk, but dividend-paying equities are really the only game in town right now for income investors. Fortunately, there are some great companies out there with a long history of dividend growth and capital appreciation.

The best companies to look at are industry leaders that pump out lots of free cash and regularly increase their dividends.

Here are the reasons why I think investors should consider **Telus Corporation** (TSX: T)(NYSE: TU), **TransCanada Corporation** (TSX: TRP)(NYSE: TRP), and **The Bank of Nova Scotia** (TSX: BNS)(NYSE: BNS) right now.

Telus Corporation

Canada’s fastest-growing communications company is cleaning up the competition these days. Telus is well known for its high level of customer service and this is evident in its postpaid mobile subscriber churn rate. In Q2 2014, Telus lost just 0.9% of its customers, the lowest churn in the industry. This number is important because it normally costs about $400 for a Canadian mobile operator to acquire a new customer.

Happy customers apparently spend more. In the quarterly report, Telus said its blended average revenue per unit (ARPU) was $62.51, another industry-leading achievement.

Telus is also enjoying success in its wireline division. The company’s Telus TV offering is rapidly adding new customers at the expense of the cable companies.

Telus pays a dividend of $1.52 per share. The current yield is about 3.8%. The company has stated it will increase the dividend by at least 10% per year through 2016. The shares are up 144% in the past five years.

TransCanada Corporation

Pipeline companies are great picks for income investors because they are not directly affected by the changes in the price of oil, natural gas, or natural gas liquids.

TransCanada is primarily known for its natural gas storage and transportation operations, but the company is focusing much of its new investment on liquids pipelines. In its Q2 2014 earnings statement, TransCanada said it has $38 billion in commercially secured projects under development. Liquids pipelines represent $21 billion, natural gas pipelines account for $15 billion, and the remaining $2 billion is tied to TransCanada’s power-generation division.

The company expects the current capital projects to be completed and generating cash flow by 2020. Beyond that timeline, it is quite likely that investors will see the $12 billion Energy East project get approved and built.

TransCanada pays a dividend of $1.92 per share that yields about 3.5%. Management expects dividend increases to track revenue and free cash flow growth as the new pipelines go into service. The company has hiked the dividend in each of the past 14 years. The stock has risen 65% in the past five years.

The Bank of Nova Scotia

The third-largest bank in Canada is currently the cheapest and also the most financially stable. Bank of Nova Scotia currently trades at 11.6 times earnings, a significant discount to its peers.

The company finished the last quarter with a Basel III Common Equity Tier 1 (CET1) ratio of 10.9%, the best among the Big Five banks. The ratio is important because it measures a bank’s financial stability. If the Canadian housing market crashes, this is going to be a very important number.

The Bank of Nova Scotia only relies on its Canadian retail operations for about 33% of earnings. About 24% comes from international operations, another 24% from global banking and markets, and the global wealth and insurance division produces the remaining 19%.

The company pays a dividend of $2.64 per share that yields about 3.9%. The stock has increased 47% in the past five years.

Telus, TransCanada, and The Bank of Nova Scotia are great picks to *start* an income portfolio. If you are considering adding another couple of stocks, you might want to check out the free report highlighted below.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)

2. NYSE:TRP (Tc Energy)
3. NYSE:TU (TELUS)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:T (TELUS)
6. TSX:TRP (TC Energy Corporation)

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