Looking for Investment Ideas? Check Your Mail

Description

One of the most repeated pieces of investment advice is “invest in what you know.”

This small little piece of advice can be the difference maker between a new investor putting money to work in the stock market and sitting on the sidelines, nervous about picking stocks from the thousands of publicly traded companies available to purchase. Making investing easy to understand is a plus, especially when talking to people who aren’t so experienced at it.

But there are fallacies in the buy-what-you-know argument. First of all, it doesn’t factor in valuation. You might be buying a great company, but returns will suffer going forward if you overpay for it. There’s also more to investing besides knowing a technology or sector well. Anything from a poorly timed acquisition to a misguided management team can derail even the best company.

Still, it’s a solid rule. But if I may, allow me to make one subtle change.

Instead of investing in what you know, invest in what you can’t live without.

I’m not talking about things like the latest gadget everyone suddenly has to have. Things like that are fickle, and are often replaced in a year or two by something new. No, I’m talking about some of the basic services in our lives, things like shelter, electricity, phone service, and gasoline for your car.

Think about a company like **Telus Communications** (TSX: T)(NYSE: TU), which provides home phone, wireless, internet, and television services. The company has 13.5 million connections, with many customers signing up for more than one different service.

Sure, the company has competition, but Telus is doing a terrific job differentiating itself from others. First of all, its customer service is top-notch. This is helping to reduce churn, a measure of how many customers bolt for its competitors. Telus’s churn is the lowest among its competitors and keeps getting better.

Telus is also experiencing nice growth in its television service by using a combination of aggressive promotions and gradually increasing its service area to sign up new customers. Year-over-year television subscriber growth is 14.4%.

All this translates into nice dividend growth. Telus has hiked its dividend twice annually since 2010, and looks to keep the streak going in 2015. Shares currently yield 4%.

Or, investors can take a look at the company that holds their mortgage, chequing account, or credit card. **Royal Bank of Canada** (TSX: RY)(NYSE: RY) is Canada's largest bank, and the fifth largest in North America. It has perhaps the finest retail banking operations in Canada, with more than 1,200 branches from coast to coast. Banking might not be a basic human need, but it's pretty difficult to live in today's society without access to credit cards and online banking.

Royal Bank also offers wealth management, insurance, and capital markets exposure, as well as operations in the U.S. and Caribbean. In short, it's an incredibly diversified financial company. Plus, it pays you a 3.8% dividend.

Finally, even though the price of oil is down, you're still going to need to move around. Heck, maybe cheap gas has motivated you to take a road trip somewhere. Oil stocks represent a great long-term value at these bargain prices.

I like **Husky Energy Inc.** (TSX: HSE) because it not only has oil sands production, but it also has a significant downstream business as well. Because Husky refines most of its production, that allows it to get maximum revenue per barrel. Why pay somebody else to refine it when the company can do it itself?

Husky sells much of its refined product through its network of more than 500 gas stations, which mostly stretch across Western Canada. So even though the short-term oil market looks bleak, at least Husky has a built in demand for its products.

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