



How to Use Telecoms to Pay Your Cell Phone Bill

Description

I pay my telecom provider every month for my cell phone usage. I chose the lowest-cost plan that suits my needs and it still costs \$480 a year. Think about the other monthly payments you need to make and the seemingly small amounts add up quickly.

Why not buy a big telecom to pay that \$480? **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) just raised its dividend from \$0.40 per share per quarter to \$0.42, a seemingly 5% increase. However, it makes more sense to compare the quarterly payout with the payout from the same quarter of the previous year.

In the second quarter of 2014 Telus paid out \$0.38 per share. So, the annual dividend increase is actually 10.5%. When was the last time you received a 10% raise from your job?

Is Telus a buy at the 4% yield?

In the past few years, Telus seldom reached over the 4% yield. Just by looking at the yield, it is not a bad time to start buying its shares.

Telus' dividend and history

Telus aims to pay out 65-75% of its earnings and its current ratio is at the lower end at 66%. Further, the telecom plans to increase dividends twice in 2016, and plans to add an annual increase of roughly 10%.

However, the company notes that the dividend hikes are not guaranteed. They are still based on Telus' financial situation and the market outlook at the time. Still, with a record of growing dividends for 11 years in a row, Telus is probably unwilling to break that record.

How many shares do I need to pay my phone bill?

A bill of \$480 a year implies \$120 per quarter. Telus' quarterly dividend is \$0.42 per share. This means I need 286 shares to pay the bills. 286 shares costs \$12,012 at \$42 a share. For a growing yield, that will outpace my phone bill increase, and I think that's pretty good.

If you want to lower that cost, you can instead do the following: blend for a higher yield.

Buy enough shares of **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) to receive \$60 per quarter. BCE pays a higher yield than Telus; its yield is 4.8% and pays out \$0.65 per share per quarter. That means you would need 93 shares to receive the \$60 per quarter. Buying 93 shares at \$53.50 per share implies a cost of \$4,976.

Then buy 143 Telus shares to receive the remaining \$60. This requires \$6,006.

Together, the BCE and Telus shares cost \$10,982. This is \$1,030 less than the cost just buying Telus shares for the same amount of income.

The difference between BCE and Telus dividends

BCE is the biggest telecom in Canada with a market capitalization of 45 billion, while Telus has a market cap of 25.5 billion. It's true the BCE pays a higher yield, but it also grows slower as the bigger company.

For instance, BCE's last annual dividend hike was 5.3%, while Telus' was 10.5%.

Both companies are pretty solid. And it's up to you as an investor to choose if you want a higher income now and slower income growth, or if you want slightly lower income now and higher growth. If you're undecided, you can always go with a blend of the two by buying shares of both telecoms.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
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