2 Dividend-Growth Stocks for New Investors

Description

Over time, the stock market provides great returns, but some companies are better bets than others and buying shares can be stressful, especially for new investors who are just starting their portfolios.

So, how do you choose?

Most of the world's top investors buy quality dividend-paying stocks and hold them for the long term. They look for companies that increase earnings every year and hold leadership positions in industries with high barriers to entry.

Here's why **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Telus Corporation** (TSX:TU)(NYSE:TU) fit the description perfectly.

Toronto-Dominion Bank

In Canada, the Big Five banks dominate the market, and that situation is unlikely to change anytime soon. This might not be the best setup for customers, but it is great for investors.

TD is often touted as the best-in-class pick because its revenues are primarily derived from stable bread-and-butter retail operations. Another reason for choosing the company is its large U.S-based business, which helps support earnings when times get tough in Canada.

TD regularly wins customer service awards, and its army of tellers and advisors operate as part of a well-oiled, client-focused machine. These people really know what they are doing, and customers don't even realize they are constantly being sold new products and services that help drive revenue and earnings to new highs year after year.

The banking industry is facing some economic headwinds right now and that has put pressure on the industry's stocks. This is part of the cycle and these moments give investors a chance to buy top stocks at very reasonable prices.

TD currently trades at an attractive 10.8 times forward earnings and offers a dividend yield of 3.9%. Investors can comfortably buy this stock and sit on it for decades.

Telus Corporation

The only Canadian oligopoly that is even more entrenched than the banks is the telecom industry.

Telus and its peers control the market in a way that is very frustrating to Canadians, but fantastic for shareholders. The Canadian government tries to scare the incumbents once in a while by promising to increase competition and reduce prices, but the end result is always the same.

More competition simply isn't coming, at least not from a major international company because the

Canadian market is simply too small and spread out over too big a geographic area to make the numbers work.

A foreign competitor would have to spend billions of dollars to build a network and then operate on very low or negative margins for several years to try to steal enough business to build an enduring company.

That’s not overly attractive, especially for a market of just 36 million people.

Telus stands out as a top pick for investors because it is the fastest-growing telecom company in the country. Much of the success is attributed to an unwavering commitment by management to ensure Telus provides the best customer service in the industry. The strategy has paid off well. Telus enjoys the lowest churn rate in the country and regularly brings in the highest mobile revenue per user.

The company has increased the dividend 11 times in the past five years and currently offers a solid 4% yield. If you don’t like paying high phone and Internet fees, you can at least get some of the money back by investing in Telus.

CATEGORY

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1. Editor's Choice

TICKERS GLOBAL

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