2 Top RRSP Picks for Young Investors

Description

The deadline is fast approaching for Canadians to make their final RRSP contributions for the 2015 tax year.

The best stocks offer long-term growth through dividends and capital appreciation. Ideally, investors want to own companies that are leaders in an industry with few competitors and high barriers to entry.

Here's why I think **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Telus Corporation** (TSX:T)(NYSE:TU) are strong picks.

TD

TD is a profit machine. The company earned $8.75 billion in fiscal 2015, up 8% over the previous year. That's an impressive performance in the current environment, and it indicates how effective TD is at driving higher revenues in a challenging market.

The bank gets most of its earnings from retail banking, and its Canadian personal and commercial banking franchise is probably the strongest in the country.

TD also has a large retail presence in the United States. This diversification is important because it gives investors an opportunity to benefit from a growing U.S. economy as well as the strong American dollar.

Some pundits are worried about energy and housing risks. TD has less than 1% of its loans exposed to oil and gas companies, and its Canadian residential mortgage portfolio is very strong, so investors shouldn't be overly concerned.

Over the medium term, TD expects to deliver 7-10% adjusted earnings-per-share growth, which is pretty good given the economic outlook.

TD raised its dividend by 9% in 2015, and the current distribution offers a yield of about 3.9%. If you want a stock you can simply buy and forget about for decades, TD is a solid pick.

Telus

Telus is Canada's fastest-growing national telecommunications business. The company's success is largely attributed to its strong commitment to customer service, and the strategy should continue to pay off as the Canadian market moves through some important transitions.

All three-year mobile contracts ended in 2015, and this means operators really have to be on their game to keep customers happy. Fortunately for Telus, it loses fewer customers than any of its competitors. In fact, Telus has the lowest mobile churn rate in the industry and boasts a very high blended average revenue per user (ARPU) of $64.22. The ARPU has increased on a year-over-year basis for 20 straight quarters.

Canadian TV subscribers will soon have the option to choose a basic $25 package and add channels on a pick-and-pay basis. This has some analysts concerned that subscription revenues might fall as consumers try to lower their TV costs. I suspect most people will simply add programs until they hit their current bill rate.

Telus doesn't own any content; it simple acts as the distributor, so the company isn't facing the same risks as some of its competitors.

The stock pays a dividend of $0.44 per share that yields about 4.4%. Telus has raised the payout 12 times in the past five years, and investors should see the strong trend continue.

If you want to own a top-quality company in an industry with few serious competitors, Telus is a reliable bet.

CATEGORY

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2. NYSE:TU (TELUS)
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Date
2025/08/25
Date Created
2016/02/05
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