2 Top Income Stocks I'd Buy Right Now With an Extra $10,000

Description

Income investors are always on the lookout for top-quality stocks that offer growing and sustainable distributions.

These names are often expensive because they are considered to be the safest picks, but the recent pullback in the market has finally brought some of Canada's top income names down to attractive levels.

Here are the reasons why I think investors with a bit of cash on the sidelines should consider **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Telus Corporation** (TSX:T)(NYSE:TU) right now.

TransCanada

Things haven't been going that great for TransCanada, or at least that's the way the market sees the situation.

President Obama rejected the northern leg of the company's Keystone XL pipeline, and the rout in oil prices has sent investors fleeing any stock connected to the energy sector. As a result, TransCanada's shares are down about 17% in the past 12 months, and that's after the nice bounce off the December lows.

When you take a look at the big picture, the sell-off simply appears to be way overdone.

Keystone looks dead right now, but the situation could change very quickly if the Republicans win the 2016 election. At the moment, the market is giving zero value to that possibility.

The company's other major project, Energy East, is also considered to be doubtful by investors, but I think the $15.7 billion pipeline is going to go ahead. The provinces are still bickering, but recent comments coming out of Alberta and Ontario suggest the politicians might be willing to sit down and get a deal done.

Whether or not Energy East can be built and in service by TransCanada's 2020 target date is anyone's guess, but the market isn't fully appreciating the potential cash flow bonanza if the project actually gets the green light.

Even if the big pipelines don't go through, TransCanada still has $11 billion in smaller projects on the go that will be completed and in service by 2018. This means cash flow should grow at a healthy clip and TransCanada plans to boost its dividend by 8-10% per year through 2020.

That's reason enough to own the stock, and buyers who pick it up right now get to collect a safe 4.3% yield with all of the upside potential on a possible breakthrough on the mega projects.

Telus

Telus is normally an expensive stock, but the name has fallen victim to worries about changes in the Canadian media and communications sector, and that is presenting a rare opportunity for income investors.

Beginning in March, Canadians will have the option to sign up for a basic $25 TV package and add channels on a pick-and-pay basis. This has pundits worried that content owners will have to cancel unpopular programs and service providers could see a sharp drop in subscription revenues.

Telus doesn't own any content, so there is no risk on that front. As for subscriptions, I suspect most Canadians will simply add the channels they want until their existing budget is reached.

Telus is also about to have a new competitor for mobile customers. **Shaw Communications** is buying Wind Mobile, and that has some analysts concerned that Telus could be forced to drop prices to retain customers in western Canada where the two companies already compete for Internet and TV customers. Telus has competitive packages and a very loyal customer base, so there isn't much risk of an exodus to Shaw.

The company has a long history of dividend growth, and investors should see the trend continue. The stock currently pays a quarterly distribution of $0.44 per share that yields 4.4%.

Both Telus and TransCanada are about to report Q4 2015 earnings. If the stocks pull back, investors should use the dip as an opportunity to buy.

CATEGORY

1. Dividend Stocks
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1. NYSE:TRP (Tc Energy)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
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