



Should You Put Royal Bank of Canada or Telus Corporation in Your TFSA?

Description

Canadian investors are searching for top stocks to add to their TFSA portfolios.

Let's take a look at **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) to see if one is a better pick right now.

Royal Bank

Royal Bank earned just under \$10 billion last year. That's pretty impressive given the economic headwinds facing the Canadian banks.

The company's success lies in the balanced nature of its revenue stream. Royal Bank relies heavily on its retail operations, but it also gets solid contributions from its wealth management, capital markets, and insurance divisions.

Management is now turning its eyes to the U.S. to help drive future growth, and the company's recent US\$5 billion purchase of Arizona-based City National is a great start. The addition of the private and commercial bank gives Royal Bank a solid platform to expand its reach in the U.S. market.

Some analysts are concerned about the bank's energy and housing exposure, but Royal Bank is well capitalized and the risks appear to be manageable. Oil and gas loans represent less than 2% of the company's total loan book, and the mortgage portfolio is more than capable of riding out a pullback in house prices.

Royal Bank has a strong track record of dividend growth, and investors should see the trend continue, although a number of market watchers are suggesting the distribution hikes might be less robust in the next couple of years.

The stock currently offers a yield of 4.1%.

Telus

Telus has avoided the temptation to plough billions of dollars into media assets, and that has freed up a lot of cash for other investments.

The company continues to expand its state-of-the-art wireless and wireline networks and spends heavily on ensuring it delivers the industry's best level of customer service.

That strategy is paying off as Telus enjoys the lowest mobile churn rate in the country and has delivered 22 straight year-over-year quarters of rising blended average revenue per user (ARPU) in the wireless division.

Telus Health is not well known to the investment community but the business has quietly grown become the country's top provider of digital solutions to doctors, insurance companies, and hospitals. The segment is growing quickly and Telus Health could become a significant contributor to income in the coming years.

Management is quite generous when it comes to sharing profits with shareholders through an aggressive share-buyback program and regular dividend hikes.

The current distribution provides a yield of 4.5%, and investors should see annual dividend growth of at least 8% through 2020.

Which is a better TFSA pick?

Both stocks are top-notch long-term picks. At the moment I would go with Telus for the higher yield. The communications provider is also likely to deliver better dividend growth in the near term.

CATEGORY

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1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TU (TELUS)
3. TSX:RY (Royal Bank of Canada)
4. TSX:T (TELUS)

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