



Telus Corporation: The Perfect Stock for Your TFSA

Description

Tax-Free Savings Accounts (TFSAs) offer Canadians who are 18 and older the opportunity to set money aside and earn investment income without having to worry about the taxman, even when it's withdrawn.

If you don't already have a TFSA, you should strongly consider opening and contributing to one. If you do already have one, let's take a look at why **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) would be a great addition to it today.

One of Canada's largest telecom companies

Telus is Canada's third-largest and fastest-growing national telecommunications company with about 12.5 million subscribers, including 8.43 million wireless subscribers, 1.62 million high-speed internet subscribers, 1.42 million residential network access lines, and 1.03 million television subscribers.

It provides a wide range of communications products and services, including wireless, data, internet protocol (IP), voice, television, entertainment and video, and healthcare information technology.

One of the market's best dividend stocks

Telus's primary selling point for TFSA investors is its dividend. Its profitability allows it to pay a quarterly dividend of \$0.46 per share, representing \$1.84 per share on an annualized basis, and this gives its stock a high yield of about 4.3%.

This yield is very safe when you consider that its basic net earnings totaled \$1.34 per share and its dividend payments totaled just \$0.90 per share in the first half of the year, resulting in a 67.2% payout ratio, which is at the low end of its target range of 65-75%.

On top of having a high and safe yield, Telus is one of the market's top dividend-growth stocks. It has raised its dividend for 12 consecutive years, and its three hikes since the start of 2015 have it on pace for 2016 to mark the 13th consecutive year with an increase. It also has a dividend-growth program in place to grow its dividend by 7-10% annually through 2019, and I think its strong operational

performance will allow it to extend this target as 2019 nears.

An attractively priced stock

Telus's stock is trading at very attractive valuations, providing a great entry point for investors looking to buy today.

Its current outlook calls for earnings of \$2.40-2.56 per share in fiscal 2016, representing growth of 5-12% from fiscal 2015. Using the median of this range (\$2.48) as the denominator, Telus's stock trades at a forward price-to-earnings multiple of just 17.4 today, which is inexpensive compared with its trailing 12-month price-to-earnings multiple of 18.1. Analysts also expect it to grow its earnings at an average rate of 6.9% over the long term, making it attractive from both a value and growth perspective.

Is there a place for Telus in your TFSA?

All in all, Telus is a high-dividend, dividend-growth, value, and long-term-growth play, making it a strong buy in my book. Take a closer look and strongly consider adding it to your TFSA today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

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