RRSP Investors: Should You Buy Telus Corporation or Royal Bank of Canada Today?

Description

Canadians are searching for top stocks to put in their self-directed RRSP portfolios.

Let's take a look at **Telus Corporation** (TSX:T)(NYSE:TU) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) to see if one is more attractive.

Telus

Telus enjoys a comfortable position in the cozy Canadian communications market.

The business is well established across the country, and management continues to invest in infrastructure upgrades to ensure Telus can maintain its strong presence.

Subscriber numbers are increasing at a steady clip in the mobile, TV, and internet segments, and the company's commitment to providing superior customer service appears to be paying off.

Net additions in Q4 2016 included 87,000 postpaid wireless subscribers, 24,000 high-speed internet customers, and 16,000 Telus TV customers.

Telus also reported an industry-leading wireless postpaid monthly churn rate of less than 1% and saw its blended average revenue per user rise for the 25th straight quarter on a year-over-year basis.

Some pundits say the lack of a media division is a negative for the company. So far, that doesn't appear to be the case, and Telus is investing in other growth areas.

For example, the company's Telus Health division is already a leading provider of digital solutions to doctors, hospitals, and insurance companies. As the segment grows, investors could see Telus Health become a substantial contributor to earnings in the coming years.

Telus has a strong track record of dividend growth. The current payout provides a yield of 4.4%.

Royal Bank

Royal Bank generated more than $10 billion in profit in fiscal 2016. Customers who complain about bank fees might not be overly impressed, but investors are all smiles.

Can the party continue?

A potential downturn in the Canadian housing market has some people concerned the banks are setting up for a rough ride.

Royal Bank finished fiscal Q4 2016 with $283 billion in Canadian residential mortgages on the books, which sounds a bit scary, but the portfolio is more than capable of riding out a downturn in the housing market.

Why?

Insured mortgages represent 47% of the loans and the loan-to-value ratio on the entire portfolio is 54%. That means house prices would have to drop significantly before Royal Bank takes a material hit.

Royal Bank has a balanced revenue stream with strong operations in personal and commercial banking, wealth management, capital markets, and insurance.

The bank is also expanding its presence in the United States. Royal Bank spent US$5 billion in late 2015 to acquire City National, and investors could see the company make additional moves south of the border in the coming years.

Royal Bank raises its dividend on a regular basis. The distribution currently yields 3.3%.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for an RRSP account.

Having said that, Royal Bank has enjoyed a stellar run in recent months, so the stock might be due for a healthy pullback. As such, I would probably make Telus the first pick today.

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