New Investors: A Top Canadian Dividend Stock to Put in Your TFSA for 2018

Description

Canadians are searching for different ways to set aside some cash for their retirement years.

In the past, this wasn't such a big deal, as many people had full-time jobs that came with generous pension benefits.

Today, however, contract work is more common, and when people finally secure a full-time gig, the benefits often come up short compared to those that were available 20 years ago.

As a result, many Canadians are forced to look after their own retirement planning, and using the TFSA to hold dividend stocks is a popular strategy.

Why?

The TFSA protects all earnings and gains from the tax authorities, which means the full value of distributions can be invested in new shares, and when the time comes to cash out, any capital gains are also yours to keep.

Let's take a look at **Telus Corporation** (TSX:T)(NYSE:TU) to see why it might be an interesting pick.

Overlooked

Investors often bypass Telus in favour of its higher-profile rivals, but that might be a mistake.

Telus is much larger than many people think. The company has nearly 13 million customer connections, including 8.8 million wireless subscribers, 1.7 million internet clients, 1.1 million Telus TV subscriptions, and 1.3 million residential access lines.

Telus places a strong focus on customer satisfaction. As a result, subscriber growth is steady, and the company is very successful at retaining clients. In fact, Telus regularly reports the industry's lowest post-paid mobile churn rate.

No media group

Telus has avoided the temptation to spend billions on media assets, but the company is investing in other growth areas, such as the health sector. Telus Health is already a leading provider of digital solutions to doctors, hospitals, and insurance companies.

Some pundits say the lack of a media division is a negative for the company. Time will tell, but it doesn't appear to be a problem so far.

Dividends

Telus has a strong track record of dividend growth.

The company recently raised the quarterly payout to $0.505 per share, which translates into an annualized yield of 4.2%.

Management is targeting annual dividend growth of 7-10% through 2019.

Earnings

Net income for Q3 2017 came in at $370 million compared to $355 million in the same period last year. Free cash flow more than doubled to $215 million and the company's wireless average revenue per user rose for the 28th straight quarter on a year-over-year basis.

Should you buy?

Telus continues to deliver steady results and solid dividend growth. The stock tends to hold up well when the broader market hits a rough patch, and the lack of significant competition in the Canadian telecommunications industry bodes well for Telus and its peers.

If you are looking for a buy-and-hold dividend-growth pick for your TFSA, this stock deserves to be on your radar.

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