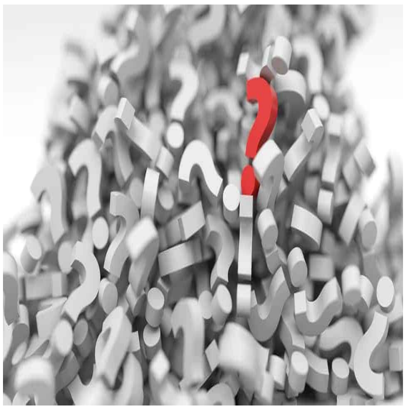

Royal Bank of Canada or Telus Corp.: Which One Is Right for Your TFSA?

Description

The recent dip in the stock market is finally giving investors a chance to pick up some of Canada's top stocks at reasonable prices — and secure some nice dividend yields to boot.

That's great news for TFSA investors of all types, whether you're a young professional planning to build a retirement fund or a retiree hoping to get some extra income out of your life savings.

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 an attractive pick today.

Royal Bank

Royal Bank generates close to $1 billion per month in profits. That's an impressive sum, and the secret to the company's success is largely tied to its balanced revenue stream. The bank has strong operations in personal and commercial banking, wealth management, capital markets, insurance, and investor and treasury services.

Some investors are concerned that a downturn in the Canadian housing market could hit the big banks. It's true that a severe plunge in house prices would be negative, but most analysts see a gradual reduction in house prices, if indeed any occurs at all, and Royal Bank's mortgage book is capable of weathering a slump. The company finished fiscal 2017 with $272 billion in residential Canadian mortgage exposure, of which $89 billion is insured and the loan-to-value ratio on the remaining $183 billion is 49%. This means house prices would have to fall considerably before Royal Bank takes a material hit.

The company does a good job of sharing profits with investors through share buybacks and dividend increases. Royal Bank raised the payout twice last year for a total annual dividend increase of 7%. As earnings per share continue to rise, investors should see the strong trend continue.

At the time of writing, the stock is down to $97 per share from the $108 it hit in late January. Investors who buy Royal Bank at this price can pick up a 3.9% yield.

Telus

Telus is a powerhouse in the Canadian telecommunications sector, with a world-class network infrastructure that provides mobile, TV, and Internet services to Canadians across the country.

Management has avoided the temptation to invest billions of dollars in media assets — a strategy that appears to be working out just well. Telus continues to grow its subscriber base at an impressive rate, and the company's focus on providing exceptional customer service is showing in the numbers. Telus regularly reports the industry's lowest mobile churn rate and customers continue to spend more on a monthly basis.

Telus Health is an area of the company to watch in the coming years. The division is already a leader in the Canadian market, providing digital health solutions to doctors, hospitals, and insurance companies, and could become a significant revenue generator.

Telus has a strong track record of dividend growth, as well as being aggressive with share repurchases.

The stock is down to $44.50 per share from the November high of $48. Investors who buy now can secure a reliable 4.5% yield.

Is one more attractive?

Royal Bank and Telus should continue to be solid buy-and-hold picks for a TFSA portfolio. If you only choose one, I would probably make Telus the first bet right now. The telecom provider is likely the safer option if you think the broader stock market is headed for a real rough patch. Royal Bank is getting down to a reasonable valuation at 13 times trailing earnings, but it would be nice to pick it up at a slightly lower multiple.

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