Toronto-Dominion Bank vs. Telus Corporation: Which Dividend Stock Is Best for Your TFSA?

Description

Dividend-growth stocks provide one of the best investment avenues for people using Tax-Free Savings Accounts (TFSAs) to build their nest egg.

The biggest benefit of investing in companies that regularly increase payouts is that you get exposure to mature and stable businesses that reward investors on a consistent basis. These are the companies that care about their reputations and want loyal investors.

So, with these benefits in mind, here are two top Canadian dividend-growth stocks you can consider adding to your TFSA.

Toronto-Dominion Bank

Canadian banks are very reliable dividend payers. They not only have regular payouts, but they also grow them over time. This income stability comes from their dominant position in the local market and their aggressive growth overseas.

Among these lenders, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is my favourite pick due to its unique position among the top five Canadian lenders.

Its aggressive growth in the U.S. makes it the most diversified and safest lender. You may be surprised to know that TD runs more branches south of the border than it does in Canada. On the back of this strong growth, TD has quietly become the eighth-largest lender in the U.S.

When it comes to dividends, TD distributes between 40% and 50% of its income in dividends. After an 11% increase in its payout this year, income investors in TD stock now earn a $0.67-a-share quarterly dividend, which translates into a 3.76% yield on yearly basis.

The bank is likely to grow its dividend payout between 7% and 10% each year going forward — impressive growth that's good enough to protect your investment from inflation.

Telus Corporation

Canadian telecom operators are among the best-run companies that provide stable and growing dividends to income investors. Just like banks, they regularly hike their dividends.

In Canada, the telecom market is divided among four players which control about 80% of the broadband and video market and more than 90% of the wireless market.

Among these operators, **Telus Corporation** (TSX:T)(NYSE:TU) offers an attractive opportunity to earn dividend income and benefit from the company's growth potential. Telus is in a much better position to grow its dividends going forward when compared to other operators, because the company has already invested heavily to improve its infrastructure.

Telus is targeting 7-10% growth in its dividend each year until 2019. And this target does not seem too ambitious, given the company's ability to generate more cash from its growing customer base throughout Canada.

With a current dividend yield of 4.48%, Telus pays a quarterly dividend of $0.505 a share, which translates into $2.02 per share annually. Telus is well on track for 2018, marking the 15th straight year in which it has hiked its annual dividend.

Which one is better for your TFSA?

Giving equal exposure to both TD and Telus is a good strategy for TFSA investors seeking growth in their income. Both stocks are the leaders in their industries with no real threat to their cash flows.

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