Is Telus Corporation Attractive for Your TFSA Retirement Fund?

Description

Young Canadian savers are searching for ways to set some serious cash aside for the golden years.

In the past, this wasn't always a big concern, as most people found full-time jobs right out of college or university, and those positions often came with generous benefits, including a defined-benefit pension plan.

Today, many companies are reluctant to take on new grads full time and train them, preferring to use interns or contract workers. When the decision is made to offer a full-time gig, the benefits plan can vary widely depending on the company. Some firms that previously provided defined-benefit pensions now offer defined-contribution plans. This shifts the risk onto the shoulders of the employee, as the payouts at retirement depend on the returns generated in the portfolio, instead of being guaranteed by the company.

Another change in the market is connected to the attitude towards careers. Fewer people expect to work for the same firm, or in the same industry, their entire careers, and being self-employed is becoming more common.

As a result, young people are taking on more responsibility for their retirement planning, and one strategy involves holding dividend-growth stocks inside a Tax-Free Savings Account (TFSA).

The TFSA protects all distributions and capital gains from the taxman, allowing investors to use the full value of the dividends to buy new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over the course of two or three decades. In addition, when the time arrives to cash out, any increase in the share price is yours to keep.

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

Telus is Canada's fastest-growing national telecommunications provider with state-of-the-art wireline and wireless networks providing mobile, internet, and Telus TV services to clients across the country.

The company invests significant funds and energy in its commitment to provide best-in-class customer service, and those efforts are showing up in the numbers. Telus regularly reports the industry's lowest postpaid mobile churn rate, and subscribers have increased the amount they spend for 29 straight quarters on a year-over-year basis.

The company has a strong track record of dividend growth, and investors should see the trend continue in line with rising revenue and earnings. Telus is targeting earnings-per-share growth of 3-9% for 2018. At the time of writing, Telus provides a yield of 4.5%.

Long-term investors have done well with this stock. A $10,000 investment in Telus 15 years ago would be worth about $90,000 today with the dividends reinvested.

The bottom line

There is no guarantee Telus will generate the same returns over the next two decades, but the strategy of buying top-quality dividend stocks and investing the distributions in new shares is a proven one.

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