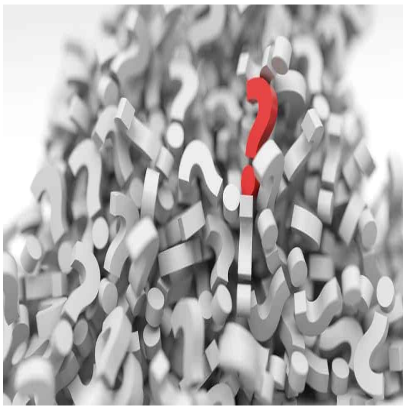

Should Telus Corporation or Bank of Nova Scotia Be in Your TFSA Retirement Fund?

Description

Canadian savers are searching for top-quality dividend stocks to add to their TFSA retirement portfolios.

The strategy make sense, especially if the distributions are invested in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice cash stash for your golden years.

Inside the TFSA, your distributions and capital gains are protected from the taxman. As a result, the full value of the dividends can be invested in new shares. When the time comes to cash out, any increase in the stock price is yours to keep.

Let's take a look **Telus Corporation** (TSX:T)(NYSE:TU) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) to see if they are interesting picks today.

Telus

Telus reported solid Q4 2017 numbers, which was supported by steady subscriber growth in both the wireline and wireless business segments.

Operating revenue rose 4.9% to $3.5 billion, compared to the same quarter the previous year, and adjusted EBITDA was up 4.7%. Wireless revenue increased by 5.4%, driven by postpaid subscriber growth, increased data consumption, and the addition of new subscribers in Manitoba. Wireline data services and equipment revenue rose 6%.

Telus has avoided the temptation to spend billions on building media business. Some pundits say this puts Telus at a disadvantage to its two largest competitors, but the company appears to be getting along just fine.

One division to watch is Telus Health, a leading provider of digital solutions to doctors, hospitals, and insurance companies.

Telus says its capital investment program peaked in 2017, meaning that more free cash flow should be available for distributions in 2018 and beyond. The company has a strong track record of dividend growth, and investors should see the payout rise 7-10% this year.

At the time of writing, the stock provides a yield of 4.5%.

Bank of Nova Scotia

Investors often overlook Bank of Nova Scotia in favour of its larger peers, but that might be a mistake, especially when you plan to hold the stock for decades.

Why?

Bank of Nova Scotia has invested heavily in building a strong presence in Latin America, with a focus on Mexico, Peru, Colombia, and Chile. The four countries represent the core of the Pacific alliance, which is a trade bloc set up to promote the free movement of goods and capital.

As the middle-class grows in the region, Bank of Nova Scotia should benefit from rising demand for loans and investment products. The international operations already contribute close to 30% of the company's profits, providing a nice hedge against a potential downturn in the Canadian economy.

The stock has come down amid the selloff in the broader market, falling from $85 to $77 per share. At that price, investors can pick up Bank of Nova Scotia for less than 11.5 time trailing earnings, compared to the 13 times earnings you have to pay for its larger Canadian peers.

The dividend currently provides a yield of 4.25%.

Is one a better bet?

Both companies are attractive buy-and-hold picks for a dividend-focused TFSA. If you only choose one, I would probably go with Bank of Nova Scotia today. The stock looks oversold, and investors can get great exposure to emerging-market growth through a rock-solid Canadian company.

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