# RRSP Investors: Should You Buy Telus Corp. (TSX:T) or Toronto-Dominion Bank (TSX:TD) Stock?

## Description

Canadian savers are searching for ways to get the most out of their self-directed Registered Retirement Savings Funds (RRSPs).

Making RRSP contributions helps reduce taxable income right now, while allowing the dividends to be reinvested tax-free. When the time comes to spend the nest egg, you are taxed on the withdrawal, but your marginal tax bracket in retirement should be lower than when you make the RRSP contribution. As a result, you end up with more of your initial contribution and benefit from all the growth over the years.

Let's take a look at **Telus** (TSX:T)(NYSE:TU) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if one deserves to be an RRSP pick.



**Telus**

Telus is a bit of an oddball among the big Canadian communications companies in that it has resisted the temptation to drop billions on media assets. The decision, so far, hasn't hurt Telus. In fact, it might be the reason the share price has held up so well.

Instead, Telus has focused its energy and investment on making sure it delivers industry-leading customer service, and it continues to build its state-of-the-art wireless and wireline networks.

Net Q2 2018 customer additions came in at 137,000 compared to the same quarter last year, with strong contributions from the wireless, internet, and TV segments. Telus also reported a post-paid mobile churn rate of just 0.83%, so the company is doing something right.

The big attraction for long-term investors could be the Telus Health division, which is Canada's top provider in digital health solutions for doctors, hospitals, and insurance companies. The health industry is widely viewed as one that could see massive digital disruption in the coming years, and Telus is leading the charge in Canada.

The company has a strong track record of dividend growth, and the trend should continue. The current payout provides a yield of 4.4%.

**TD**

TD is an earnings machine, generating more than $3 billion in profit in the latest quarter. The company's U.S. operations are performing well, and more gains should be on the way, supported by tax cuts and improving net interest margins.

In Canada, rising interest rates might have some investors concerned that Canadian homeowners could get into trouble when the time comes to renew their mortgages. A wave of selling would be negative, but the market remains resilient, and TD’s mortgage portfolio is capable of riding out a downturn.

TD has raised its dividend by a compound annual rate of better than 10% over the past 20 years. The current payout provides a yield of 3.4%.

**Is one a better bet?**

Both Telus and TD should be solid buy-and-hold picks for a dividend-focused RRSP portfolio. If you have some cash sitting on the sidelines, I would probably split a new investment between the two stocks.

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