Is Telus Corp. (TSX:T) or Toronto-Dominion Bank (TSX:TD) Stock a Better RRSP Pick?

Description

Canadian savers are starting to put together a list of top 2019 stock picks for their self-directed RRSP portfolios.

Let's take a look at **Telus** (TSX:T) (NYSE:TU) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if one might be an interesting buy right now.

Telus

Telus generated solid Q3 2018 results, and investors should see the good times continue.

The company reported an 11% increase in operating revenue to $3.8 billion, supported by stronger wireless network and equipment revenue, as well as improved wireline services revenue. Adjusted net income increased 6.7% to $445 million.

Telus added 187,000 new customers during the quarter, including the strongest wireless customer growth since Q3 2010. The company works hard to keep its customers happy and the effort is generating results. Postpaid mobile churn was just 0.87%. Acquiring new customers in the wireless segment is expensive, so customer retention is important.

Telus has invested billions in network upgrades to ensure remains competitive and is prepared for the arrival of 5G.

The 2019 capital plan is expected to be similar to 2018 at $2.85 billion. The company has moved beyond the peak of its aggressive investment initiative and is seeing free cash flow increase. This should continue and is expected to support annual dividend growth. The company just raised the payout for the sixteenth time since 2011. The current distribution provides a yield of 4.6%.

Telus tends to hold up well when the broader market hits a rough patch, which has certainly been the case in the past two months. The stock is up from $44.30 to $47, which isn't too far off the 2018 high near $49.

TD

TD also reported strong results in its latest quarter. Fiscal Q4 adjusted net income came in at a cool $3 billion, representing a 17% increase over the same period last year.

The U.S. operations delivered the best results with adjusted net income rising 38% compared to Q4 2017. Rising interest rates are helping boost net interest margins and the company is benefitting from lower tax rates in the United States.

TD's oil and gas exposure represents less than 1% of its total gross loans, so investors shouldn't have to worry about the bank's exposure to troubled energy companies.

The mortgage loan book is large, but TD is well capitalized and a significant part of the portfolio is insured. Things would have to get pretty bad in the Canadian housing market before TD sees a material impact.

The company has a strong track record of dividend growth, which should continue. TD raised the payout by more than 11% in 2018. The current distribution provides a yield of 4.6%.

TD's stock is down from close to $80 per share in September to $70.

Is one a better RRSP bet?

Telus and TD should both be solid RRSP picks for a buy-and-hold portfolio. If you only buy one, I would probably go with TD today. The company continues to generate strong profits and the pullback in the past two months looks overdone.

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