New Investors: A Top Canadian Stock for Your TFSA Retirement Fund

Description

Young Canadians are taking advantage of the Tax-Free Savings Account (TFSA) to hold dividend stocks as part of their retirement planning.

The strategy makes sense, especially when the dividends are used to buy new shares. This taps a powerful compounding process that can turn relatively small initial investments into a significant pile of cash over the course of 20 or 30 years.

Let's take a look at a top TSX Index stock that might be an interesting pick to get your self-directed TFSA started.

Telus

Telus (TSX:T)(NYSE:TU) is a leader in the Canadian communications market with world-class wireless and wireline networks delivering mobile, internet, and TV services to customers across the country.

Telus has a reputation for providing solid customer service, and that is backed up by the numbers as the company regularly reports the lowest post-paid mobile churn in the industry. Acquiring new customers is expensive, so there is value in dedicating resources to keep existing clients happy.

Telus doesn't have a media division, but it is building an interesting business in healthcare. Telus Health is already a leading player in the emerging market to provide digital solutions to hospitals, doctors, and insurance companies. The group also owns a network of private clinics across Canada that caters to corporations and wealthy families. Big changes are likely coming to healthcare in Canada, and Telus Health has the potential to be a large revenue generator as disruption in the industry continues.

Telus has a long track record of raising its dividend and is targeting annual dividend growth of 7-10% through 2022. The current payout provides a yield of 4.6%.

The stock has a low beta, meaning it tends to fall less than the broader market when things get ugly. Global geopolitical unrest has a limited impact on Telus, and when Canada hits an economic downturn, people are unlikely to cut their mobile, internet, and TV subscriptions.

Demand for video-streaming continues to grow, and that should support ongoing revenue strength. In addition, the nature of the Canadian communications market enables Telus and its peers to raise rates when they need extra cash.

Should you buy?

Long-term investors have done well with the stock. Ten years ago, Telus traded for a split-adjusted $16 per share. At the time of writing, it trades for close to $49.

The company offers an above-average dividend yield and is a leader in an industry with a wide moat. If you are searching for a reliable buy-and-hold stock for a dividend-focused TFSA retirement fund, Telus deserves to be on your radar.

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