



One of the Best Recession-Proof Stocks to Stash in Your TFSA

Description

What kind of stocks can offer you the best protection when recession hits the economy? This question is becoming more relevant these days, as there are many powerful headwinds gathering pace and hitting the global growth.

In this uncertain environment when the world's two largest economies are embroiled in a lingering trade war, adding some safety to your portfolio isn't a bad idea. That strategy is more important for investors who use their Tax-Free Savings Account (TFSA) to prepare for their retirement.

In my opinion, investing through TFSA should be more conservative because you're using your hard-earned dollars to create a nest egg for you. If you want to pursue this strategy, then Canadian telecom stocks are certainly offer one of the best avenues in which to park your TFSA dollars.

Canada's telecom stocks offer a sweet spot

Canada's top three telecom companies operate in a sweet spot where the competition isn't as intense as that south of the border. They are gradually expanding their customer base with strong earnings growth.

These qualities make this sector a [lucrative place for investors](#), such as those who want to build wealth over the long run. At some point last year, these dividend-paying stocks weren't attracting investors, as climbing bond yields diminished their investment appeal.

But with the central bank on the sideline, their high dividend yields and growing payouts are offering an attractive preposition. Among Canada's big three telecom companies, **Telus Corp.** ([TSX:T](#))([NYSE:TU](#)) is a good option to consider if you have some space available in your TFSA.

Earnings growth

Telus Corp. said in August that its wireless expansion helped it achieve almost double-digit earnings growth during the second quarter period compared with the same period in 2018.

Earnings before interest, depreciation and amortization, or EBITDA, increased by 9.8% to \$1.4 billion, while sales rose by 4.2% to \$3.6 billion compared with a year ago.

This momentum was helped by growth in new subscribers that beat estimates, rising by a third to 186,000 during the three months. Wireless customer additions jumped 45% to 154,000, including 82,000 mobile phones and 72,000 other mobile devices.

In May 2019, Telus said that it plans to hike its payouts in the range of 7 to 10% from 2020 through to the end of 2022. Currently, Telus pays \$2.25 a share dividend annually that translates into an annual yield of about 4.8%. With the company's 60-75% payout ratio, I see more room for dividend growth if Telus continues with its earnings growth.

Bottom line

[Telus share](#), at \$47.61 at writing, have underperformed other operators in the current rally for dividend paying companies. For long-term TFSA investors, Telus stock is a good candidate to consider, as this dividend stock will add some safety to any portfolio and help earn steadily growing income.

CATEGORY

1. Dividend Stocks
2. Investing

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Date

2025/09/08

Date Created

2019/10/17

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