



## TFSA Stock Alert: Are You Ready to Earn \$3,500 Per Month in Tax-Free Retirement Income?

### Description

My regular readers know that I am passionate about stocks that can provide an ideal combination of capital growth as well as regular dividend increases. There are many examples of stellar long-term investments that have provided Canadian investors with the option to retire early because of significant growth in dividends that have created perfect retirement income streams.

One stock I am a huge fan of is going to be around for decades to come and will keep raising its dividend annually, because it knows how to harness technology to drive revenues as well as drive down costs.

The stock I am talking about is **Telus** ([TSX:T](#))([NYSE:TU](#)). I am a [huge long-term fan of the company](#) and believe that it is one of the savviest technology companies in North America.

### Power of compounding

First, let's start with some quick math, because a lot of very sophisticated investors still don't quite the concept of compounding, especially when dividends can be reinvested right back into the stock via a dividend-reinvestment program (DRIP). DRIPs are common in many large-cap organizations that want to encourage reinvestment to ensure they have to give out as little cash as possible.

If an investor had put in \$100,000 "to work" in Telus stock exactly a decade ago, that investment would have resulted in about 6,300 shares at a per-share price of about \$16. Today, that same investment would result in almost 18,000 shares with the benefit of stock splits and dividend reinvestments at a per-share price of \$47. This equates to a current stock value of \$837,000, or a cumulative return on investment of 737%, or 24% per year.

Each of these 18,000 shares would also be throwing off almost 5% in dividend yield or an annual total of \$41,000, which equates to a beautiful monthly amount of almost \$3,500 on a monthly basis.

This retirement income stream is due to the power of compounding or, in other words, buying [top-notch companies](#) that are good at what they do and then leaving them alone to quietly and efficiently do their work, which is to make you lots of money.

## Spotting the security trend

So, how does Telus do it? Well, for one, the company always spots the future trends and is not afraid to invest in growing a segment of its business that it believes in.

An example of that belief is **ADT's** recent forays into the security business. The world needs ever more security, and Telus has really understood how to capitalize on its competency in "smart technologies" and the Internet of Things (IoT).

So, what has Telus done to get into the security game? First, it rightly understood that it needed to prove to investors that it could actually create a business segment that has enough scale to move the needle on earnings and cash flow.

Telus paid \$67 million in January 2018 to acquire the Western Canadian assets of AlarmForce and its 39,000 customers in B.C., Alberta, and Saskatchewan. While that was a nice opening move, it didn't really create a buzz. The company needed to make a bigger move that would get the industry's attention.

So, in true Telus fashion, the company acquired the Canadian operations of the global home security firm ADT in a monster deal worth \$700 million. Now, this is the kind of deal that investors needed to see to know that the company is serious about security. Security is a recession-proof business, and families will always prioritize safety over anything else.

ADT Canada has 500,000 customers and employs about 1,000 employees who will transition to become Telus employees. ADT Canada is a "move-in-ready" business, and there is no doubt that part of the value add that Telus thought through very carefully was how it could cross-sell other Telus services to these customers.

## Foolish bottom line

The security industry in Canada is fairly fragmented with a number of small national home-monitoring services that would be fantastic tuck-in acquisitions for its growing security platform. I have no doubt that we will hear about more small acquisitions on this front, as Telus looks to play a big role in consolidating the industry in Canada.

Telus is trading at \$46 per share, which is a steal given its significant growth potential in Canada as well as beyond. Smart investors would do well to start accumulating shares in the \$44-\$46 range.

### CATEGORY

1. Dividend Stocks
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