Pension Wealth: 2 Boring but Magnificent Dividend Stocks

## Description

The average monthly CPP pension is pinned at $672 and change, which isn't nearly enough to finance living expenses in retirement without additional financial help from family.



Given the CPP pension pool is slated to get skinnier after Baby Boomers have had their share, today's young investors (sorry, millennials!) may not have enough to fund anything more with their pension than a few digital subscriptions. If you're a young investor, my goal is not to scare you but to drive home the point that it's absolutely vital to start investing *now* to be financially independent when you retire.

Fortunately, it's not hard to create a passive-income stream that can dwarf CPP payments with high-quality dividend growers within boring, predictable industries like telecom.

Competition is heating up in Canada's telecom scene with the entrance of **Shaw Communications** ( TSX:SJR.B)(NYSE:SJR) looking to undercut on the price of telecom services. And as the Big Three look to react accordingly, I see Canada's telecoms as more than just a "race to the bottom" regarding pricing and margins.

While I suspect some sort of equilibrium to be reached within the 2020s, I ultimately see the rise in competitive pressures as giving rise to winners and losers as the war for subscribers escalates.

This piece will look at two Canadian telecoms that I believe will be significant winners over the next five years and will be able to reward investors with massive dividend hikes alongside a respectable amount of capital appreciation.

Without further ado, consider the two telecom heavyweights for your passive-income portfolio.

# Shaw

Taking the role of disruptor, we have Shaw, which has been taking the fight to its Big Three peers with its discount wireless provider Freedom Mobile, which has since gotten into the discount internet service game.

Canadians pay some of the highest telecom fees in the world, and through Freedom Mobile, Shaw is leading the downward charge and could enjoy massive subscriber growth at the expense of the competition over the next five years and beyond.

Freedom Mobile is the ultimate value proposition for Canadians. And although the quality of Freedom's infrastructure isn't at par with its Big Three peers, substantial investment in infrastructure improvements will eventually narrow the quality gap, all while prices remain depressed relative to the behemoths in the space — the perfect formula for taking share in a market that's ripe for continued price disruption!

Wireless subscriber growth momentum has been the main reason to own Shaw stock. As Freedom bolsters its discount internet offering, the bundling opportunities could give Shaw stock a considerable shot in the arm in the early 2020s. While only time will tell, I think Freedom could provide heavily indebted Canadians with an "offer they can't refuse," as they look to tighten their belt.

Shaw sports a 4.5% dividend yield, which is respectable but average for a telecom. The main reason to own the name, though, is the potential for outsized dividend growth and capital gains over the next decade and beyond.



Moreover, as a lower-price player, I see Shaw not only as a disruptor in an upmarket but as an outperformer in a down market, as Canadians look to trim their monthly budgets.

## Telus

Up next, we have **Telus** (TSX:T)(NYSE:TU), a Big Three player that I think is best suited to retain its subscriber base amid mounting competitive pressures brought forth by Shaw. Telus has a reputation for stellar customer service, and with a new TELUS Rewards program, which allows customers to redeem points for rewards (such as a discount on a future bill) by just paying their monthly bills, the company has formed a bit of a barrier around its subscriber base.

Keeping customers happy is Telus's ultimate strategy of keeping its subscribers from shopping around for alternative telecom service providers, an approach that I think will literally pay huge dividends as the competition intensifies.

Not only does Telus have a terrific strategy to defend its subscriber base, but it also lacks the depreciating content and media assets that stand to weigh down other telecoms like **BCE**. Furthermore, Telus Health and Telus International are two fantastic, underrated businesses.

Telus has a 4.6% yield that, like Shaw, will continue to swell if the stock doesn't move up, offering a win-win for income-oriented investors.

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2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
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