TFSA Investors: 1 High Dividend Stock on Sale!

Description

There's no denying that the stock market has been beaten up recently. During these times, it can be easy to give into emotions and sell positions due to fear. However, a market crash is one of the most lucrative investment opportunities for investors prepared with cash in hand.

For Tax-Free Savings Account (TFSA) investors, a crash offers the chance to lock in a stock with a juicy dividend yield for pennies on the dollar, setting up potentially massive long-term gains. Not only will the dividends be tax-free, but capital gains made as the market climbs back up will be too.

Over the long run, the returns of the stock market are overwhelmingly positive. Every once in a while, the market crashes and some investors panic, creating an opportunity to invest like Warren Buffett — and be greedy despite the fear of others. It's during these times that many stocks can be had for dirt cheap relative to their fair intrinsic value.

Today we'll cover a stock offering a strong yield that could get even better as prices continue to fall.

Buy Telus in a TFSA?

Telus (TSX:T)(NYSE:TU) is a Canadian telecommunications service provider. It offers mobile phone as well as home phone and internet products and provides wireless services to 9.2 million subscribers.

Going forward, Telus is looking to be a major 5G player and has been developing its infrastructure to do so in recent years. While other countries have already been introduced to 5G networks, Canadian companies are still working on rolling it out here, which could offer upside if Telus executes its offering well.

With the recent market plunge, Telus has shaved off quite a bit of its share price. As of writing, its annual dividend yield is now a whopping 4.3%. Telus also recently announced its plan to increase dividends by 7-10% annually through the end of 2022.

The company hopes to keep its dividend payout ratio between 65 and 75% of net earnings per share.

This makes Telus an attractive stock to buy in a downturn and hold for years with rising tax-free dividends and growth in a TFSA.

Compared to its peers, **Bell** and **Rogers**, Telus offers a dividend yield lower than Bell's but higher than Rogers', and also offers a P/E ratio higher than Rogers' and lower than Bell's. From a valuation standpoint, this might mean Telus is valued somewhat fairly relative to its peers.

Although Telus has a strong track record of paying increasingly juicy dividends, there could be some headwinds moving forward. The government just ordered Telus, along with Bell and Rogers, to cut the price of mid-range plans by 25% in two years.

Mid-range plans are defined as plans offering between two and six gigabytes of data monthly, which could eat into Telus' bottom line and as such impact the growth rate of dividends.

The bottom line

In a market downturn, you can make a lot of money buying discounted high dividend growth stocks while other investors panic. Buying shares of Telus in a TFSA allows you to snag a large tax-free dividend yield, and all capital gains made as the market recovers are tax-free too.

Despite recent legislative changes, however, Telus has strong footing in the Canadian market, and the 5G play should keep sentiments positive.

While there may be room for the markets to fall further, investors should keep an eye on Telus because if the yield goes even higher, it may be too good to pass up.

***Source for Telus' dividend growth and payout targets.**

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:BCE (BCE Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Top TSX Stocks

Date
2025/08/21
Date Created
2020/03/09
Author
jagseguin