



Volatility Warning! Own This Income Stock for \$2300 and Relax

Description

Markets were approaching or exceeding all-time highs the last couple of weeks, but have since been struggling to climb higher. In fact, the only reason why markets continued on any given day seemed to be tied to news regarding stimulus from governments. There aren't really any fundamentals underpinning the current state of the market.

It's a frustrating state of affairs for people preoccupied with the systemic fragility that comes with elevated debt levels. How can you be comfortable with stocks knowing that at any time it could all pull back viciously?

Calm down

Don't worry about it. That's right, all you have to do is purchase [shares of an equity](#) trading at a decent level and sit there. This is even easier to accomplish when the stock pays a solid dividend. A stock like **Telus Corp.** ([TSX:T](#))([NYSE:TU](#)) is perfectly suited to this kind of stock environment.

Take a look at the long-term Telus stock chart. It has moved up and to the right for more than a decade. Its growth has reflected the simultaneous growth in wireless demand from many Canadian consumers. Despite the fact that we are in a recession, many Canadians will think twice before cutting off their internet expenditures.

Don't sell

Out of all the behaviours that were [the most destructive](#) during the recent crash, panic selling is number one. Even a stable stock like Telus fell significantly during the collapse, falling to about \$18 a share from about \$27.50 in February. Even now, the stock has only recovered to about \$22 a share. It still has a long way to go to regain its highs.

Think about why you own these stocks

For me, the reason I own Telus is to collect its dividend. This is a business I want to own, and I appreciate getting paid. Over that time, it has also increased its dividend, frequently twice a year. Right now, the yield sits at about 5.12%, historically high for the stock.

Usually, the yield has been under 5%, so this is still a pretty attractive point to enter this stock as a stable, long-term hold.

Furthermore, I expect stable companies to increase at a reasonable rate of growth. Telus grew its wireless net additions by 70,000 clients. The customer growth resulted in free cash flow generation of \$545 million. The free cash flow is the key metric here, as it is the fuel for paying and growing strong dividends over time.

The Foolish takeaway

Warren Buffett, one of the greatest investors of our time, once stated that his favourite holding period was forever. Long-term investors should heed this wisdom and not sell solid stocks during periods of extreme volatility. We sell stocks because they are easy and seemingly cheap to sell — just push a button and pay a few bucks.

However, we should think of our strong, dividend-paying investments more akin to a rental property with a great tenant. As long as they pay us our yield and have strong business attributes going forward, just sit and let them do their thing.

Take a deep breath and focus on the income instead of the price volatility.

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