Want $112 in Monthly Income? This Stock Is a Long-Term Dividend Beast

Description

Those with $25,000 in RRSP contribution room looking to generate monthly income could have an extra $112 per month with this Canadian stock.

Shaw Communications (TSX:SJR.B)(NYSE:SJR) has been a top pick of mine in the past due primarily to the company's impressive monthly dividend yield. The Canadian telecommunications sector is one which is hard to invest in. Picking a winner among the "Big Four" players in this space is often the most difficult task. Indeed, Shaw has lagged its peers of late in terms of valuation, making Shaw an underperforming asset in 2020. That said, I think 2021 and beyond could be a lot different for this smaller, leaner 5G player.

Sector fundamentals bullish for long-term investors

RRSP investing requires putting money to work over many years or decades. Picking a stock that one can rely on for monthly income in retirement requires a significant margin of safety. I think telecom players in general provide this for investors. Specifically, Shaw tops the list from a dividend perspective right now for those income-oriented investors nearing retirement.

The telecom sector provides some of the best low-volatility, high cash flow and reasonable valuation stocks on the TSX today. This sector provides some of the best risk-adjusted returns for investors worried about where valuations are right now. Additionally, high dividend yields provide another layer of safety and entice income-oriented investors to continue to buy over time.

Shaw's fundamentals are extremely bullish for long-term investors seeking such investments today. Shaw's portfolio of assets is trading at a significant discount to other similar long-life assets in other sectors. Furthermore, the company's stock trades at less than 17 times earnings, despite strong and stable cash flow generation through this pandemic. Shaw's core business is relatively recession-proof, furthering the long-term investing thesis for those worried about volatility on the horizon.

5G rollout an undervalued long-term growth catalyst

One of the biggest knocks against Shaw is the company's slower 5G rollout than its peers. The owner of Freedom Mobile, Shaw's opportunity is centered on Western Canada. The company expects to have its 5G network online sometime in the next few months. This rollout has lagged its peers, many of whom have impressive offerings online right now.

That said, I think Shaw's positioning in the market as a low-cost player will provide sufficient wiggle room for subscribers to be patient with this rollout. Additionally, Shaw's 5G rollout is expected to cost substantially less than its peers. Lower-expected spectrum costs combined with a stronger balance sheet than many of its peers is bullish for those looking for long-term growth at a reasonable price today.

Shaw is simply one of the best monthly income investments dividend investors could ask for right now. Accordingly, I'd recommend RRSP investors consider this stock at these levels, before this stock jumps higher when the company launches its 5G platform.

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