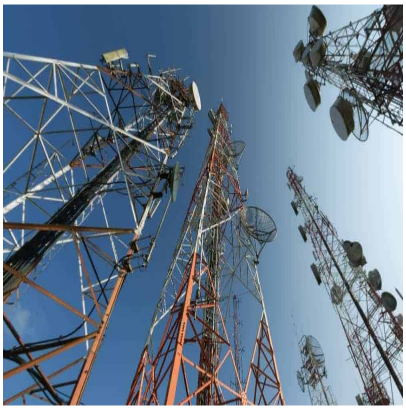

Retirees: Telus Stock Is a Buy for Growth and Income

Description

Retirees may have it tough these days, with bond yields near rock-bottom levels, and the threat of rate hikes that could bring forth capital downside in such fixed-income debt securities. Undoubtedly, risk-free assets aren't as risky as they seem from an opportunity cost standpoint.

With U.S. and Canadian inflation currently in the 3-5% range, one's purchasing power stands to be eroded at a quicker rate. It's not just savers that stand to take a hit from higher inflation; it's also bond investors who may be better off looking to Canadian dividend stocks for relief from the insidious effects of inflation. Yes, equities may be "risky," but for those willing to take on more volatility, they look to be less of a raw deal than with cash and bonds these days.

The search for top Canadian dividend stocks is more about reaching for yield

When going on the hunt for income stocks, it can literally pay greater dividends to put in the homework. Instead of reaching for the higher yields, it makes more sense for most Canadian retirees to find the names that have the perfect combination of value, yield, and growth.

Yield isn't all that matters. Growth still matters for younger retirees who can expect to live for decades after they've exited the labour force. And finally, valuation always matters. It doesn't matter if you're a beginner investor on the hunt for high-growth Canadian stocks or a retiree who needs passive income today. If the value isn't there, you'll increase your chances of losing money.

In this piece, we'll have a look at one Canadian dividend stock that fits the bill for having a juicy yield alongside decent long-term growth prospects and a valuation that's too good to pass up. Enter **Telus** (TSX:T)(NYSE:TU).

Telus stock: 4.5% dividend yield

I’m a huge fan of betting on proven winners in an industry. While you may have to pay up a higher multiple versus the laggards in the space, I’d argue that the better deal (or value) is to pay for quality, rather than settling for a perennial underperformer whose low multiple may very well deserve to be depressed.

The 4.5% dividend yield is solid. And while it may be lower than **BCE’s** nearly 6% yield, I’d argue that Telus stock makes up for the 1-1.5% yield shortcoming with superior growth prospects. Telus has a reputation for having one of the highest-quality mobile networks and some of the best customer service in Canada. While BCE is slated to spend a great deal on the rollout of next-gen telecom tech (5G and fibre) just like Telus has, I think there’s no denying Telus’s relative outperformance over the past few years.

Amid the pandemic, Telus came out on top, as it looked to take share from its competitors. There’s no denying Telus’s resilience, and I think it could really start to outperform in the post-pandemic environment, as mobile data bounces back, and the company really has a chance to flex its muscles.

Bottom line

Now, Telus stock is by no means “cheap” at 30.3 times trailing earnings. Given the improving macro picture, Telus’s unique strengths and its track record of above-average growth, though, I’d argue that shares aren’t as expensive as they seem. As such, retirees seeking the perfect blend of yield, growth, and value ought to consider watching the name today.

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