



TFSA Investors: 2 TSX Telecom Stocks to Buy for Tax-Free Passive Income

Description

It's a tough environment out there for TFSA (Tax-Free Savings Account) investors who are staring at yet another uptick in stocks. Undoubtedly, bear market bounces punish those who chase them. And while it's difficult to tell when this nearly year-old bear market is ready to make way for a new bull market, I think that TFSA investors focused on the long haul should look to be net buyers, as we look to close out what's been a dreadful year.

Of course, it's impossible to tell if being a buyer here will pay off in a month or a quarter from now. Regardless, those with investment horizons over 10 years are likely to have the tables tilted in their favour after such a sluggish 2022.

With inflation still running hot, and a Bank of Canada that's ready to deliver additional sizeable interest rate increases, there's fear that a 2023 recession could be made that much worse. Indeed, it's hard to avoid the gloomy talk of recession. Regardless, investors should know that it's a wise idea to be bullish while most others are fearful, even when it feels like you're buying firms whose fundamentals seem to be diminishing every quarter.

TFSA investors: Dividend stocks are still the best way to fight inflation

If you've got time on your side, you can afford to see earnings erode. In due time, they'll normalize, and it's those who buy while others sell that will get front-row seats to the inevitable recovery. Undoubtedly, early innings of new bull markets tend to deliver the quickest gains.

While it may be too soon to take a deep dive in cyclicals, I would look to the TSX telecom stocks as a comfortable middle ground for dip buyers. You'll get a swollen dividend yield while you wait for the tides to turn.

Telus

Telus ([TSX:T](#)) is a telecom titan that fell into a bear market (22% or so drop) from peak to trough before recovering modestly to \$28 and change per share. Undoubtedly, recession fears are in full swing. And not even well-run telecoms will be able to avoid the pain that's to come, as consumers feel the pinch of higher inflation and a potential hit to wages. Indeed, employment has stayed robust so far. But a full-blown recession could weigh heavily on the ability of consumers to pay their mobile bills. Further, device upgrades could be postponed indefinitely.

At writing, Telus stock trades at 20.9 times trailing price-to-earnings (P/E) ratio. That's still a rich multiple for a company that's not exactly recession-proof. Still, Telus has a bountiful dividend (4.83% yield) that can withstand a few more blows from Mr. Market. I view the dividend as completely safe and subject to growth if we are, in fact, due for an economic "soft landing" next year.

With strong managers and a reputation for boasting an impressive (and reliable) network, Telus is a top passive-income pick in the midst of this [bear market](#).

Rogers Communications

Rogers Communications ([TSX:RCI.B](#)) is a solid Canadian telecom that's been on a steady descent since peaking in April. Undoubtedly, widespread outages added more negative momentum going into the summer, causing some to question if Rogers can be relied upon. Though Rogers made moves to ensure such outages won't happen again, I think so much damage has already been done.

Rogers has done a great job of making things right to preserve its reputation. Ultimately, I think the stock is oversold, with shares now down more than 30% from their all-time highs. At 15.9 times its trailing P/E, Rogers stands out as a relative bargain in the telecom scene.

With a 3.76% dividend yield, investors won't be spoiled versus the likes of Rogers's Big Three peers. Regardless, I think Rogers is capable of the most capital [gains](#) on the other side of the recession, as it looks to move on from a largely forgettable year.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred

6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/07/19

Date Created

2022/10/29

Author

joefrenette

default watermark

default watermark