



## 3 Reasons to Buy and Hold Toronto-Dominion Bank

### Description

The recent market swoon has clobbered stocks, and no sector has felt the pain more than the financial sector.

Over the past month, shares of the **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)), the country's largest lender by assets, have plunged nearly 10%. The yield, which moves in the opposite direction to the price, has risen to 3.50% from less than 3.20% just a few weeks.

Time to sell? Hardly. If you believe in buying wonderful businesses when the market throws a sale, then TD may be worth a look. Here's why.

#### 1. It's a dividend machine

TD has paid a consecutive dividend for 157 years. And since 2011, the company has been in the habit of hiking its payout every other quarter. I'll bet you a comfort couch that it will announce another increase this December.

Best of all, TD sports a conservative payout ratio less than 50% of earnings and a rock-solid AA credit rating. That means the company can easily cover its dividend with plenty of cash left over to reinvest in its operations. Given its stable business, you can count on TD to maintain that payout for another century to come.

#### 2. It has a wide moat

If the banking industry were a castle, then it would be protected by a wide moat. Strict government limits on ownership, reserves, and lending keep foreigners out. Moreover, the big six banks control almost the entire industry. That means it's almost impossible for smaller players to enter the business.

For shareholders, this has meant big, juicy profits. Over the past five years, TD has generated a 13% average return on equity. These are levels foreign bankers could only dream of.

### 3. It has lots of room to grow

The key ingredient of TD's success has been its U.S. expansion. Thanks to good ol' fashion Canadian conservatism, the company was well capitalized before the financial crisis. That allowed TD to build out its U.S. operations on the cheap.

Now the company's bet is paying off. TD's U.S. retail banking profits are growing at a double-digit clip, making it the company's fastest growing division. Today, every American business indicator – including jobs, home prices, and auto sales – is on the upswing. That means more loans, more mortgages, and more credit cards.

TD's track record means this stock deserves a permanent place in your portfolio. If you've been waiting for an opportunity to buy this company, the market just handed you a chance.

#### CATEGORY

1. Bank Stocks
2. Investing

#### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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