



Toronto-Dominion Bank: 1 Dividend Stock to Buy and Hold Forever

Description

If only all of my stocks did as well as the **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)).

Since I wrote my first column on TD last December, shares of the country's second-largest bank have returned more than 15%, including dividends. That compares to just a 5% return from the **S&P/TSX Composite Index** over the same time.

Has my opinion of the bank changed over the past year? Nope. Here're three reasons why I still like this stock.

1. Earnings are growing

TD continues to find ways to grow in the mature Canadian banking industry. Earlier this year, the company became the main partner with Aeroplan, providing a big boost to its lucrative credit card business. Business lending, especially in Western Canada, remains robust.

TD's bet on America is also paying off. The company's U.S. banking profits are increasing at a double-digit clip, making it the fastest-growing division in the firm. Today, business is on the upswing. That means more loans, more mortgages, and more credit cards.

2. The dividend keeps climbing

Some investors feel like they have to choose between income and growth. But I say why not have both? Case in point: TD Bank.

TD is one of those Forever Stocks: a giant, cash-rich company that has rewarded shareholders for generations. Since 1857, it has paid a dividend to investors every single year. And given the huge barriers to the banking industry, you can count on TD to maintain that payout for many years to come.

However, the stock offers growth, too. Over the past five years, TD has hiked its dividend at a 9% annual clip. If you had bought and held the stock over that time, the yield on your original investment would be almost 7% today!

Year	2010	2011	2012
Dividend/share	\$2.44	\$2.68	\$2.98

3. The stock is cheap

TD shares have dropped more than 10% over the past month, dragged down by the general market sell-off. The stock is now trading at 11 times forward earnings — its cheapest multiple in years. For investors who believe in buying wonderful businesses when there's blood in the streets, TD may be worth a look.

The bottom line: TD is a worthy candidate for investors seeking income and growth over the long haul. If you've been waiting for an opportunity to buy this stock, Mr. Market has just handed you a chance.

CATEGORY

1. Dividend Stocks
2. Investing

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

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