



Attention, Retirees: Why You Should Add Toronto-Dominion Bank to Your Retirement Portfolio

Description

If you are nearing retirement or have already reached it, it's likely time to make some changes to your portfolio. Gone are the days of trying to hit home runs – now the priority should be all about conserving your savings and generating income.

Part of this means buying bonds. But with interest rates so low, you should devote at least part of your portfolio to dividend-paying stocks. The key here is to find consistent performers, companies you can count on not only for years but for decades.

Perhaps the best example is Canada's second largest company, **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)). Below are the three biggest reasons to add this name to your retirement portfolio.

1. The dividend

If you were to invest \$10,000 in TD Bank today, you would be paid nearly \$350 per year, not bad in today's interest rate environment. By comparison, you would only earn about \$200 per year with a 10-year government of Canada bond.

Better yet, TD's dividend is growing. To illustrate, TD has grown its dividend by more than 50% over the past four years. If history repeats itself, then your \$350 payout will reach roughly \$530 per year by 2018. Meanwhile, that bond will still be paying only \$200.

2. Safety

Now comes the all-important question: How do I know the dividend won't be cut? There are a number of ways to answer that. First of all, since 1970, TD's dividend has been increased 61 times, and has never been cut. So even during the recent financial crisis, one in which many banks failed altogether, TD didn't even cut its dividend.

Secondly, TD is focused more on retail banking than its peers. Retail banking is much safer, and more transparent, than other businesses like Capital Markets. And last year, over 90% of TD's business

came from retail banking.

Finally, TD's dividend is very affordable for the company. To illustrate, its dividend totals \$1.88 per share per year. But over the past 12 months, TD has earned more than \$4 per share in income. So even if the company's net income declines by half, the dividend is still affordable.

3. The track record

Ever since 2002, which was a very bad year for TD, the bank has proven to be very responsible. The financial crisis offered a perfect example. Other banks, like **Canadian Imperial Bank of Commerce** ([TSX: CM](#))([NYSE: CM](#)) got too greedy in pursuit of growth, and got burned very badly. But TD was able to steer clear.

As a result, TD has been very rewarding for shareholders. To put this in perspective, a \$10,000 investment in the company would be worth nearly \$28,000 today (if you reinvested dividends). A similar investment in CIBC would be worth less than \$19,000.

That being said, the other banks have their own strengths, and it's important to have a good sense of each of them. The free report below discusses each of Canada's big banks in greater detail.

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1. Bank Stocks
2. Investing

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