Why Toronto-Dominion Bank Will Outperform the Big 5 in 2017

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is widely considered to be one of the best, if not *the* best, Canadian banks to own out of the Big Five Canadian banks for a number of reasons. I'll take a deeper look at why TD Bank has the best chance of outperforming the other big banking names in Canada in both the short and long term.

TD Bank is really a U.S. bank

With over 50% of its business now in the U.S. market, TD Bank has changed direction from being a Canada-first bank to being a global leader in banking. TD Bank has done a much better job than its Canadian counterparts in developing a wide-ranging network of banks in the U.S. with an impressive footprint across North America. Given the strength of the U.S. financials market and the growth potential of TD Bank's national network of regional banks in the U.S., investors have the ability to cash in on U.S. growth while investing closer to home.

With a number of risks plaguing the Canadian consumer and economy (high debt-to-disposable-income ratio, debt market reaching saturation, political risk via a Trump election win, etc.), the diversification away from the higher-risk Canadian market is one reason why I believe TD will outperform the other major Canadian banks over the next four years.

In the case that the Canadian economy does well over the next four years, TD Bank stands to benefit. Should the Canadian economy falter, TD Bank will still outperform its peers due to its fantastic diversification in the U.S. market.

Excellent dividend

TD Bank has one of the safest dividends across the Big Five banks with a relatively high yield. Currently, the company's stock gives investors a yield of 3.2%, a yield which has dropped over the past year due to appreciation in the company's stock price. TD Bank continues to raise its dividend over time and has remained highly profitable in part due to the bank's exposure to the U.S. financial market, which is currently outperforming other major markets around the world.

Owning shares in TD Bank also provides tax benefits for dividend income — an important variable which is often left out of the discussion. A position in TD essentially gives Canadian investors exposure to the U.S. financials space, while allowing them to apply the dividend tax credit to all dividend income received from the bank due to the fact that it is based in Canada.

The dividend tax credit available to Canadian investors is one of the lesser-discussed benefits of being a registered Canadian investor; should Canadian investors invest in U.S. financial stocks, the dividend received wouldn't be eligible for the Canadian tax credit, and the associated tax on income received would eat into the yield investors would be eligible to receive.

For Canadian investors wanting exposure to U.S. financial stocks, TD Bank is clearly the way to go.

Stay Foolish, my friends.

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