



Should You Own Suncor Energy Inc. or Toronto-Dominion Bank in Your TFSA Retirement Fund?

Description

Canadian investors are searching for top-quality stocks to hold inside their Tax-Free Savings Account (TFSA) retirement funds.

Let's take a look at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to see if one is an attractive pick.

Suncor

Suncor has weathered the energy storm much better than many of the other players in the Canadian oil patch.

Why?

The company has a diversified business structure, with oil sands, refining, and retail operations.

Low oil prices are putting pressure on margins in the upstream segment, but the four refineries and more than 1,500 Petro-Canada service stations have helped offset low oil prices.

In fact, these divisions can benefit when oil prices drop.

The company's balance sheet remains in great shape, and Suncor has taken advantage of the downturn to add strategic assets at favourable prices. When the oil market recovers, investors should see strong returns on these investments.

At the time of writing, the stock provides a yield of 3.1%.

TD

TD is widely viewed as Canada's safest bank due to its reliance on retail banking operations for the majority of its revenue. This is in contrast to some of its peers that get a large part of their earnings

from more volatile segments, including capital markets.

Some investors are concerned a pullback in the Canadian housing market could hit TD and the other banks quite hard. A total meltdown would certainly be negative, but most analysts predict a gradual drop in prices in the coming years.

TD's mortgage portfolio is large, but the company is more than capable of riding out a pullback in the housing market. Insured mortgages represent 47% of the loans and the loan-to-value ratio on the rest is 49%. This means house prices would have to fall significantly before the bank takes a material hit.

Even if the Canadian market hits a rough patch, TD's large U.S. operation provides a nice hedge.

TD expects to deliver 7-10% adjusted earnings-per-share growth over the medium term, which should provide support for continued dividend hikes.

The stock currently yields 3.8%.

Is one more attractive?

Both companies are market leaders with growing dividends and should be solid buy-and-hold picks for a TFSA portfolio.

If you think oil prices are going to recover in the near term, Suncor is attractive today. Otherwise, I would probably make TD the first choice.

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1. Bank Stocks
2. Energy Stocks
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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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