

2 Dividend-Growth Banking Stocks for Your TFSA

Description

If you're thinking of taking advantage of the Tax-Free Saving Account (TFSA) to grow your savings, adding some top-quality, dividend-paying bank stocks is highly recommended.

A TFSA's structure works for young savers for many reasons. First, all the income you generate through this portfolio is tax free. Second, you can make use of this money anytime you need it without a tax penalty.

Withdrawing funds from TFSA accounts also doesn't cut your limit. In fact, you can use that limit again when you have funds available.

Keeping these benefits in mind, a TFSA investor is better off picking some nice dividend-growth stocks and holding them in the portfolio for a longer period of time. For this category, Canadian banks fit very nicely.

Canadian banks are very reliable dividend payers. They not only have regular payouts, but they also grow them over time. The main factor behind this stability is their dominant position in the local market and their aggressive strategies to expand globally.

I particularly like **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) for TFSA savers.

Both lenders have a very strong local and international presence and a solid track record of growing their payouts.

Bank of Nova Scotia is one of the most internationally diverse banks in the market with very robust operations in Central and South America.

TD Bank has the largest exposure among the major Canadian banks in the U.S. It has more branches in the U.S. than Canada and stands to benefit greatly from the world's most powerful economy.

Dividends

When it comes to dividends, it's tough for other sectors to compete with the Canadian banks. Both Bank of Nova Scotia and TD Bank distribute between 40% and 50% of their income in dividends.

With a dividend yield of 4.10%, Bank of Nova Scotia pays \$0.76 a share quarterly. You can count on Bank of Nova Scotia for a regular income stream for many years. The lender has paid dividend every year since 1832.

Bank of Nova Scotia not only pays dividend, but it's also a great dividend-growth story. It has hiked its payouts in 43 of the last 45 years — one of the most consistent records for dividend growth among major Canadian corporations.

TD Bank also has an impressive dividend. After a 5% increase in its dividend this year, income investors in TD Bank stock earn \$0.60 a share quarterly dividend. With a dividend yield of 3.57% and a manageable payout ratio of 45%, TFSA investors will likely get future increases as this solid Canadian financial institution grow its income at home and abroad.

Bottom line

If you're looking to grow your investment steadily and want to remain invested, then Canadian banks are your best bets. An important part of your TFSA investment strategy should be re-investing your income to buy more of banking shares. By doing this, you'll see your portfolio grow quickly as compounding works its magic.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TD (The Toronto-Dominion Bank)

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