3 Reasons to Own Toronto-Dominion Bank in Your TFSA

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of Canada's top stocks.

Let's take a look at some of the reasons to hold the financial giant in your TFSA portfolio.

Strong earnings

TD recently reported fiscal Q3 2017 earnings of $2.769 billion. That's right — the big green machine generates more than $900 million in profit every month!

The success lies in the company's strong retail operations, with solid businesses in Canada and the United States.

TD's Canadian retail business generated net income of $1.725 billion in the quarter, representing a 14% increase over the same period last year. Loan volumes increased 5%, and deposit volumes jumped 11%.

South of the border, TD actually has more branches than it does in Canada. The American retail group added $901 million in net income when converted to Canadian dollars, which was 14% higher that Q3 2016. In U.S. dollars, net income was up 11%, revenue rose 10%, loan volumes increased 5%, and the company saw a 7% pop in deposits.

The wholesale banking group added $293 million in net income, while TD's corporate segment reported a Q3 2017 loss of $150 million, partially due to a loss taken on the sale of its direct investing business in Europe.

Overall, TD continues to generate strong earnings, and management expects earnings per share to grow at least 7% per year in the medium term.

Dividend growth

TD does a good job of sharing profits with its shareholders. The company has a compound annual dividend growth rate of 10% over the past 20 years and a total average shareholder return of 14.4% over the past five years.

At the time of writing, the stock provides a quarterly dividend of $.0.60 per share for an annualized yield of 3.6%.

Low risk

TD is widely viewed as the safest Canadian bank for investors.

The company has limited direct exposure to the oil sector, and its mortgage portfolio is more than capable of riding out a downturn in the housing market.

Rising interest rates could put some homeowners underwater, but 44% of TD's mortgagees are insured, and the loan-to-value ratios on the rest is 53%. This means house prices would have to fall significantly before the bank takes a material hit.

On the whole, rising interest rates tend to be positive for banks.

Should you buy?

TD isn't a cheap stock, but it remains a top-quality dividend pick in the Canadian market. If you want an anchor buy-and-hold stock for a TFSA portfolio, TD deserves to be on your radar.

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aswalker