

Toronto-Dominion Bank: The Best Dividend Stock to Own Forever

Description

When it comes to safety and growth, there are few companies in the world that can beat Canadian banks.

The nation's five top lenders have been through many recessions, financial crises, and upheavals, but they have rarely disappointed their long-term investors.

Due to their solid position in Canada and increasing presence globally, I've always recommend that long-term income investors include at least one or two banking stocks in their portfolios.

Canadian banking stocks provide growth and stability to your income, because they aim to distribute about half of their income in dividends, making them the best dividend-growth stocks in Canada.

And among the top lenders, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is my favourite pick to own forever. Here is why.

Dividend growth

For long-term income investors, TD Bank offers an attractive dividend yield and potential for capital gains.

Many investors are shying away from banking stocks on fears that the housing market correction in Canada's largest city, Toronto, could affect their home-lending portfolios.

But that scenario hasn't play out yet. TD Bank's third-quarter earnings, for example, have shown that the lender is well on track to close another good year.

TD Bank's dividend is solid. It currently pays a 3.35% dividend yield. This dividend has grown about 11% on annualized basis in the past two decades, putting the lender among the top dividend payers in Canada.

And with a relatively safe payout ratio of between 40% and 50%, there is a good chance that investors will continue to get this growth going forward.

U.S. diversification

With a leading position in Canada, TD Bank is also one of the 10 largest lenders in the U.S. with 26,000 employees and deep roots in the world's largest economy, going back more than 150 years.

This wide presence in the U.S. makes TD Bank a great diversification play, as it generates 27% of its net income from the U.S. retail operations.

The bank also has a 42% ownership stake in TD Ameritrade with a fast-expanding credit card portfolio.

The bottom line

Trading at \$71.59 a share at the time of writing, TD Bank stock is up ~8% this year, beating other banking stocks with a wide margin.

I don't think its upside has run out of steam. With growing economies both in the U.S. and Canada, TD Bank is well positioned to continue its upward journey. Long-term investors can count on TD Bank's dividend and growth potential for many years to come.

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