Should Bank of Nova Scotia or Toronto-Dominion Bank Be in Your RRSP?

Description

Canadian savers are searching for top-quality stocks to hold inside their RRSP portfolios.

Let's take a look at **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if one deserves to be on your buy list.

Bank of Nova Scotia

Investors often skip Bank of Nova Scotia in favour of its larger peers, but the company probably deserves more respect.

Why?

The bank has spent billions to build an impressive international business with a heavy focus on Mexico, Peru, Chile, and Colombia.

These four countries form the core of the Pacific Alliance, which is a trade bloc set up to promote the free movement of capital and goods among the member states.

As the middle class grows, demand for loans and investment products should increase, and Bank of Nova Scotia is well positioned to benefit. In addition, businesses need a wide variety of cash-management services when they move into new markets, and Bank of Nova Scotia's presence in each of the main Pacific Alliance countries should be a strategic advantage on the commercial opportunities.

The international group already contributes nearly 30% of Bank of Nova Scotia's profits, and that could increase over time.

The bank has a strong track record of dividend growth. At the time of writing, the payout provides a yield of 3.8%.

TD

TD is widely viewed as the safest of the big Canadian banks due to its heavy focus on retail banking activities, which tend to be less volatile than other segments, including capital markets.

The Canadian operations are best known to investors, but TD actually has more branches located south of the border than it does in the home country. In fact, the bank has built a powerful presence in the U.S., running right down the east coast from Maine to Florida.

The U.S. operations provide a nice hedge against any potential weakness in the Canadian economy and contributed nearly 33% of fiscal Q3 2017 net income when converted to Canadian dollars.

Management expects to see earnings-per-share growth of at least 7% over the medium term. This should provide support for steady dividend increases.

TD’s compound annual dividend-growth rate for the past 20 years is about 10%. The current payout provides a yield of 3.3%.

Is one more attractive?

Both banks should be solid buy-and-hold bets for a dividend-focused RRSP portfolio.

At this point, I would probably split a new investment between the two stocks to get exposure to Canada, the U.S., and Latin America.

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Date
2025/08/21
Date Created
2017/10/28
Author
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