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

Description

Canadian savers are searching for reliable stocks to add to 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 is a better fit for your retirement fund.

Bank of Nova Scotia

Investors often overlook Bank of Nova Scotia in favour of its larger peers, but that might be a mistake, especially for those who are taking a long-haul approach to investing.

Why?

Bank of Nova Scotia is the most international of the Canadian banks, with a primary focus on Mexico, Peru, Chile, and Colombia.

These four countries form the core of the Pacific Alliance, which is a trade block set up to promote the free movement of goods and capital among the member states. The combined market is home to more than 200 million consumers.

As the middle class grows, demand for loans and investment products should increase, and Bank of Nova Scotia has a large enough presence to capitalize on the opportunity.

The international operations generate about 30% of Bank of Nova Scotia's profits, providing a nice hedge against any potential downturn in the Canadian economy.

At the time of writing, the stock provides a yield of 3.9%.

TD

TD is a profit machine, generating more than $10 billion in net income in fiscal 2017.

The company is widely viewed as the safest of the Canadian banks due to its heavy focus on retail banking activities. The personal and commercial banking segment tends to be more stable than some of the other areas, such as capital markets, which form a larger part of the earnings picture for some of TD's peers.

Most people are aware of TD's strong Canadian presence, but the company also has a large American business. In fact, TD operates more branches south of the border than it does in its home country.

The American division generates more than 30% of TD's profits, so investors can get good exposure to growth in the U.S. while benefiting from the company's very profitable Canadian operations.

TD’s compound annual dividend growth rate over the past 20 years is about 10%, an attractive yield for investors who use distributions to purchase new shares.

The stock currently provides a yield of 3.3%.

Is one a better buy?

Both stocks should be solid picks for a buy-and-hold RRSP portfolio. At this point, I would probably split a new investment between the two companies to get great U.S. and emerging-market exposure while collecting reliable dividends.

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