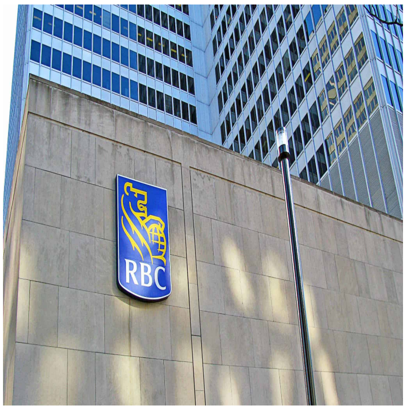

Which Banks Should You Add to Your TFSA as Interest Rates Take Off?

Description

The Canadian banks have long been a staple of many investors' portfolios and make great first investments for anyone just starting out.

That's partly because the Canadian banking system is highly regulated — unlike in the U.S. prior to the 2008-09 financial crisis — and is heavily protected with only a handful of major competitors in the market.

And all the banks pay investors attractive dividends.

That means you're literally getting paid as you wait — usually about once a quarter — while the value of your investment appreciates in value.

It's a winning formula to be sure and has been for many years; just ask an older family member if they've ever held an investment in one of Canada's banks and how it's worked out for them.

The only trick left is finding out which one is right for you.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) made a big splash earlier in the month when it acquired one of Canada's largest and most reputable asset managers, Jarislowsky Fraser.

Bank of Nova Scotia has been making a push as of late with a string of acquisitions, Jarislowsky Fraser being the most notable one, and some pretty significant investments in technology.

With the "AI revolution" running full steam ahead, there will likely be a lot of investments made in technological initiatives over the next decade, and it will be interesting to see if Bank of Nova Scotia's early investments will give it a competitive advantage.

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest bank, and there's always strength — and safety — in numbers.

Royal Bank just reported earnings that beat estimates by $0.02 and raised its quarterly dividend by 3%.

The bank's strength lies in its wealth management business, which it has been able to successfully expand into several international markets in recent years.

One of the advantages of the firm's wealth management business is that it tends to help bring in more high-net-worth clients who generate more fees for the bank per account.

If you're strictly focused on dividend investing for the time being, you'll probably find that **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is the right bank for you.

Shares currently yield 4.6%, which is the highest of any of the "Big Five" banks, and with a payout ratio less than 50%, CIBC still has room to increase its distribution in the coming years.

With a price-to-earnings ratio hovering around 10 times, CIBC is also the cheapest of the banks today.

Conclusion

If you're focused on "growth investing," you'll probably appreciate the recent steps taken by Bank of Nova Scotia's CEO Brian Porter to secure a brighter future for the company.

Meanwhile, if you're dependent on generating income from your investment account, you'd have a hard time doing better than an investment in CIBC's shares.

At the same time, Royal Bank would be the "safe bet" among the bunch.

If none of the aforementioned companies capture your imagination, you may want to consider looking into a couple of smaller upstart lenders, such as **Laurentian Bank of Canada** (TSX:LB) and **Canadian Western Bank** (TSX:CWB).

CATEGORY

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3. Investing

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3. NYSE:RY (Royal Bank of Canada)
4. TSX:BNS (Bank Of Nova Scotia)
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Date
2025/10/02
Date Created
2018/03/10
Author
jphillips