# Attention Savers: Should Toronto-Dominion Bank Be in Your TFSA Today?

## Description

Canadian savers are searching for top dividend stocks to add to their TFSA portfolios.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if it is an attractive pick right now.



### Earnings

TD earned $10.5 billion in net income in fiscal 2017. Earnings per share rose 18% compared to the previous year, supported by strong results in Canadian and U.S. retail banking and wholesale banking activities.

Most people are familiar with TD's Canadian business, but the company has built a large presence in the United States over the past decade or so, with operations running down the entire east coast from Maine to Florida. In fact, TD has more branches south of the border than it does in the home country.

The U.S. operations generate more than 30% of TD's net income. This provides a nice hedge against any potential downturn in Canada and gives investors a great way to benefit from a strong American economy while owning a Canadian stock.

### Risks

Some investors are concerned that rising interest rates could trigger a drop in the housing market and hit the banks. It's true that a total meltdown in house prices would be bad, but most analysts expect a gradual pullback.

TD's Canadian residential mortgage book is huge, but the portfolio is more than capable of riding out a downturn. As of the end of fiscal Q1 2018, TD had $267 billion in Canadian real estate loans. Insured mortgages represent 41% of the total, and the loan-to-value ratio on the rest was 51%. That means house prices would have to fall significantly before TD had a material impact.

The company is well capitalized with a common equity tier one ratio of 10.6%.

On the whole, rising interest rates should be good for the bank and its investors.

**Dividends**

TD is one of Canada’s top dividend-growth stocks, with a compound annual dividend-growth rate of better than 10% over the past 20 years. Management is targeting medium-term earnings growth of 7-10%, and the dividend should rise in line with those numbers.

At the time of writing, the stock provides a yield of 3.5%.

**Valuation**

TD currently trades for 14 times trailing 12-month earnings, making it the most expensive of the big Canadian banks based on that metric. The company is widely viewed as the safest pick among its peers, which is part of the reason for the higher multiple, but the stock might be a bit overbought today.

**Should you buy?**

TD certainly isn’t on sale. That said, trying to time a dip in this stock could be a costly mistake. Lost dividends are one reason to avoid sitting on the sidelines, and a quick look at the long-term chart suggests any time is probably okay to start a buy-and-hold position in the big green machine.



If you have some cash looking for a home in a reliable dividend stock, TD remains an attractive option, especially for investors who plan to sit on the position for decades.

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aswalker