



RRSP Investors: Is Bank of Nova Scotia or Toronto-Dominion Bank a Top Pick Right Now?

Description

Canadian savers are searching for top-quality stocks to add to their [RRSP](#) portfolios, and the big banks often serve as anchor positions in a diversified retirement fund.

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 attractive today.

Bank of Nova Scotia

Bank of Nova Scotia has worked hard to build an impressive international division, with most of the investment occurring in Mexico, Colombia, Peru, and Chile. These four countries form the core of the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital among the member states. In total, the combined market is home to more than 200 million people.

As the middle class expands in the region, Bank of Nova Scotia should benefit from rising demand for loans and investment products. In addition, companies that extend their reach into the other markets require a variety of cash-management services, and Bank of Nova Scotia's strong position in each of the four countries ensures it can look after their needs.

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

Investors often skip Bank of Nova Scotia in favour of its larger peers due to the perception that the emerging market exposure puts their money at greater risk. As the market becomes more comfortable with growing stability in the Pacific Alliance countries, the perception might change, and Bank of Nova Scotia could see its price-to-earnings multiple increase. At the time of writing, the bank trades at 11.4 times trailing earnings.

The company has a steady track record of dividend growth, and that trend should continue. The current payout provides a [yield](#) of 4.2%.

TD

TD is widely viewed as the safest of the Canadian banks due to its heavy focus on retail banking activities. Most people are familiar with TD's Canadian operations, but the bank is also a big player in the United States, with branches located right down the U.S. east coast from Maine to Florida. In fact, TD operates more branches south of the border than it does in Canada.

The U.S. operations, which include the retail group and TD's part of TD Ameritrade, contribute more than 30% of the company's profits, so investors can get solid exposure to the American economy through the stock.

Management does a good job of sharing the profits with investors through share buybacks and higher dividends. TD's compound annual dividend-growth rate over the past 20 years is better than 10%, which is important for investors who rely in dividends for income or use the distributions to acquire new shares. The current payout provides a yield of 3.7%.

Regarding valuation, TD normally trades at a premium to its smaller peers, and that remains the case. At 13.2 times earnings, TD isn't cheap, but the recent dip in the share price definitely makes the stock more appealing than it was just two weeks ago.

Is one a better bet?

Both banks should be solid buy-and-hold picks for RRSP investors. At this point, I would probably split a new investment between the two companies to get solid exposure to Canada, the United States, and Latin America.

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