TFSA Investors: A Top Dividend-Growth Stock to Buy Today

Description

Canadian banks are great additions for investors seeking to build a powerful portfolio through their Tax-Free Savings Account (TFSA).

The main reason I like Canadian lenders is their ability to perform in both good and bad times. The nation's top five lenders proved to be the most secured investments during the Financial Crisis of 2008 due to their conservative lending practices and a regulatory environment which didn't allow them taking too much risk.

My other motivation to recommend Canadian banking stocks to TFSA investors comes from the fact that they're excellent dividend-growth stocks. If you're looking to secure a lifetime of steadily rising income, no matter what's going on in the economy, then you should consider adding a couple of banking names to your portfolio.

Let's take a look at **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), Canada's third-largest lender, to see if its shares should be in your TFSA.

Growth in dividend

Among the major companies in Canada, Scotiabank has one of the most consistent records of rewarding its investors through rising payouts. The lender has paid a dividend every year since 1832, while it has hiked its payouts in 43 of the last 45 years.

The biggest worry for income investors while picking any dividend stock is the safety and continuity of their income. With a payout ratio of just 43%, Scotiabank's dividend is pretty safe.

Growing global reach

Scotiabank has been growing its international operations in emerging markets to diversify its income base and capture the robust growth potential of the Pacific Alliance — an economic bloc consisting of on Mexico, Peru, Chile, and Columbia.

In a recent presentation to investors, CFO Sean McGuckin said the region is likely to contribute 30% to the bank's total revenue over the next three years, up from 23% now. The bank's Canadian business, which currently accounts for 52% of total revenue, is likely showing growth in line with the trends.

Last year, Scotiabank bought the majority stake in BBVA Chile for $2.9 billion. The move would make Scotiabank Chile's third-largest privately owned bank, doubling its share of the Chilean market to 14%.

The bottom line

The beauty of owning a stock like Scotiabank is that you don't need to worry about the daily market noise and ups and downs in share prices. Once you've bought shares in companies, such as Scotiabank, you should keep them for a long period.

During the past 10 years, Scotiabank shares have delivered a total return of ~60%, despite going through one of the biggest financial crises of our times in 2008. Trading at $76.46 and with an annual dividend yield of 4.29%, I see a good opportunity for TFSA investors to lock in Scotiabank's juicy payout. With the forward price-to-earnings multiple of 10, the stock also looks cheap after a recent pullback.

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