Why Bank of Nova Scotia Is the Dividend Stock Your TFSA Needs

Description

It's that time of year again, when Tax-Free Savings Account (TFSA) investors start looking at their holdings and getting back on the investment train. If you are a TFSA investor (and if you're not, this is a good time of year to start thinking about it), then you may be looking to add a financial powerhouse to your portfolio if you don't already hold one.

A dividend yield you can rely on, year after year

With per-share growth set to hit 7% in its mid-term forecast, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is at the top of its game when it comes to solid dividend yields. What's more, it has an unblemished past annual performance in this respect, meaning that you can rely on yearly payouts. This may make Scotiabank a more solid investment choice than some of its smaller, undervalued competitors.

Add to this the bank's constructive management style and bold acquisition strategy, the latter of which is helping to diversify its already solid asset base. A good recent example is the 51% acquisition of, and partnership with, Peru's **Banco Cencosud**. A true international player, Scotiabank is a key financial institution in the Pacific Alliance and is present in all four of its member states.

In a volatile market, looking to market beaters is just good common sense

With a steady income growth through international expansion, Scotiabank is a market-beating stock to hold on to through a volatile period that looks set to hang around for the foreseeable future.

If potential investors need a single hook to pull them in, it might be that having access to a nice percentage of Latin American banking customers means good news for investors when quarterly corporate earnings roll around. All told, Scotiabank has 24 million customers spread across the personal, commercial, corporate, and investment banking sectors. That's a pretty solid income base right there.

The only (slight) caveat is that South American economies can be a little more turbulent than the Canadian one, Scotiabank represents a relatively risk-free buy for your TFSA. If you haven't started tax-free investing yet, this is a great way — and a great time — to start. With zero tax penalties for withdrawals and super-easy depositing, padding your TFSA with solid defensive stocks like this one makes sense.

Buy now or keep holding out a little longer?

While shareholders wait to hear Scotiabank's second-quarter results, newcomers to the fold can help themselves to a slightly undervalued stock, which sits at a lower buying price than many of the other big high-street lenders. Recent underperformance has helped to bring the stock within reach of more timid investors and, in so doing, has produced a mid-term growth opportunity worth going for.

The alternative is to wait and see what happens to prices over the next few weeks. Keep a close eye on sales prices and time it carefully, just in case share prices fall at the end of the month after second-quarter earnings are announced.

The bottom line

With a consistent moderate-to-strong-buy analysis across the board, Scotiabank is a dividend stock that is worth holding on to; perhaps it's even a lifelong stock. Spreading itself across overseas markets has seen the bank's asset base broaden and diversify in a way that competing lenders struggle to match.

The best way to handle this stock is to buy it, forget about it, and enjoy having a heavy-hitting dividend payer working for you in the background of your TFSA.

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Date
2025/08/18
Date Created
2018/05/12
Author
vhetherington