A Canadian Dividend Stock You Can Safely Own in Your TFSA

Description

If you want to build a sizable retirement portfolio, investing in safe dividend stocks is one of the best approaches. In Canada, the Tax-Free Savings Account (TFSA) is a great vehicle to pursue that strategy.

That said, I don't think investing in relatively "safe" dividend stocks means it's a totally risk-free approach. Every stock carries some risk, but there are some companies that enjoy a dominant position in the market, and their competitive advantages are unlikely to vanish quickly, making them safer bets than many other options.

Here is a dividend stock you could consider owning in your TFSA for the next few decades to earn steady retirement income.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest lender with a history of providing market-beating returns. The lender benefits from the country's sound banking system, where competition has been limited, and the regulator doesn't allow a risky lending approach.

Coupled with strong domestic operations, BNS has an aggressive growth strategy for its emerging markets operations. Its push in the Pacific Alliance — an economic bloc consisting of Mexico, Peru, Chile, and Columbia — has been very successful for its shareholders. The region is forecast to contribute 30% to the bank's total revenue over the next three years — up from 23% now.

In the past few months, the lender has shown it's ready to deploy more cash in buying lucrative assets in emerging markets to expand its footprint.

Last week, it announced a plan to acquire a 51% controlling interest Peru's Banco Cencosud for approximately $130 million. The agreement, which is subject to regulatory approval, will make BNS the second-largest credit card issuer in the South American country.

That deal comes after BNS announced in January that it's buying Citibank's consumer and small and medium enterprise operations in Colombia for an undisclosed amount. In December, it bought a 68% stake in a Chilean banking operation, BBVA Chile, for $2.9 billion in one of its biggest transactions in South America.

Dividend safety and growth

A bank's consistency in paying regular dividends is another important factor that makes it a safe investment for long-term investors. BNS not only pays a dividend, but it's also a great dividend-growth story. It's hiked its payouts in 43 of the last 45 years.

Investors got two dividend hikes from BNS last year, which increased its payout about 7%. The bank is expected to generate $7-8 billion of excess capital by 2020, and that may bring more dividend hikes or share buybacks.

Trading at $80.39, and with an annual dividend yield of 4%, Bank of Nova Scotia offers both safety and growth to your TFSA.

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Date

2025/08/26
Date Created
2018/05/17
Author
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