

# Retirement Planners: Is Toronto-Dominion Bank a Top Stock to Create TFSA Wealth?

## Description

Canadian savers are searching for ways to set aside some serious cash to fund a comfortable [retirement](#).

One popular strategy involves using a Tax Free Savings Account (TFSA) to hold top-quality dividend stocks and invest the distributions in new shares. This sets off a powerful compounding process that can turn reasonably small initial investments into significant savings over time.

Let's take a look at **Toronto-Dominion Bank** ([TSX:TD](#)) ([NYSE:TD](#)) to see why it might be an interesting pick.

## Earnings

TD reported fiscal Q2 2018 adjusted net income of more than \$3 billion. That's correct, the big green cash machine generates about \$1 billion in profit per month!

This might not impress bank customers who think their fees are too high, but it's great news for investors.

## U.S. operations

TD is widely known for its Canadian operations, and the retail banking business in its home country accounts for about two-thirds of the profits, but TD also has a strong presence in the United States.

Over the past decade or so, TD has spent billions to build a large American business, with branches running right down the east coast from Maine to Florida. The U.S. segment provides a nice hedge against a potential downturn in the Canadian economy and contributes more than 30% of TD's net income.

## Risk

Some investors might be concerned the Canadian banks will be hurt by a downturn in the housing market. A major crash would certainly be negative, but most analysts predict a soft landing, and TD's mortgage portfolio is cable of riding out a pullback in house prices. Insured mortgages represent 39% of the portfolio and the loan-to-value ratio on the uninsured mortgages is 52%. This means things would have to get pretty bad before TD sees material losses.

TD raised its dividend by 11.7% earlier this year and has a compound annual dividend growth rate of better than 10% over the past 20 years. The current payout provides a [yield](#) of 3.5%.

A \$10,000 investment in TD two decades ago would be worth close to \$90,000 today with the dividends reinvested.

### Should you buy?

TD anticipates earnings-per-share growth of 7-10% per year over the medium term. The company tends to be conservative on the guidance, so investors should see steady dividend growth continue in step with rising profits that generally outpace the outlook.

Rising interest rates might put some borrowers under water, but higher rates tend to be positive for the banks, and it looks like rates are going to continue to increase in the near-to-medium term.

If you're looking for a top-quality market leader to start your TFSA retirement fund, TD deserves to be on your radar.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

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