



Here Are 3 TFSA Dividend-Growth Investments You Can Bank On

Description

The Canadian banks have been winners for a long time, both in relation to their long dividend streaks and their capital appreciation, which makes them ideal TSFA investments. But each bank has its own niche, its own aspect that makes it special. For that reason, I have always found it a good idea to buy a few of the banks as opposed to one particular bank.

The three banks I have always been partial to are **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), and **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). These banks are all heavily diversified into other countries, providing a greater degree of security than more Canada-centric banks.

Both TD and Royal Bank are focused on the United State. With interest rates rising both in the United States and at home, the banks stand to gain as margins increase. The past few years of low interest rates made it more difficult for the banks to make money through traditional channels, as the spread between the interest paid on deposits and the rates they charge for loans had been so thin.

You may have noticed that your savings rates are not rising as fast as mortgage rates. That's the banks' money-making magic at work as they increase margins to bring in the profits.

Probably the [most interesting long-term](#) play on the banks is Bank of Nova Scotia. This has been called Canada's most international bank with numerous operations in Latin America. The bank has been very active in expanding its international presence by purchasing numerous banks, such as Citibank's operations in Columbia just this year.

While these purchases may pay off for Scotia Bank in the long run, current concerns about the bank extending its balance sheet have driven the price down recently.

Each of the banks has delivered excellent results over the years, which have helped drive their dividend growth. Although Scotiabank had a slightly less stellar quarter than some of the other banks, it still did all right with its net income, which was still up 7% as compared to the same quarter a year ago.

Royal Bank fared better, with an 11% increase in net income year-over-year. TD's [net income](#) was up

17% year-over-year, and revenue increased 12% over the same quarter of 2017. A large part of their fabulous performances has to do with the U.S. exposure that both of these banks have. All this is to say that these banks are cash producing machines. And don't forget the dividends that these banks provide.

TD is currently paying a dividend of around 3.5% and Royal Bank has a similar dividend. Of the three, the highest dividend belongs to Bank of Nova Scotia with a yield of 4.5%. The banks all seek to maintain a payout ratio of around 50% of earnings, leaving plenty of room for future dividend payments.

The banks have not had a decent pullback since 2016 during the height of the oil collapse. In January of that year, it was possible to get most of the banks with a yield of over 5%. While I generally prefer to wait for stocks to be under pressure to get the higher yield off the bat, the truth is that these banks grow their yields to such a degree that you are likely to get a 5% yield on cost soon anyway, so it can't hurt to open a position today if you don't already have one.

Lock these banks into your TFSA and compound your dividend and capital growth now.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:RY (Royal Bank of Canada)
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