RRSP Investors: Should You Buy Toronto-Dominion Bank (TSX:TD) Stock Right Now?

Description

Canadians are using self-directed RRSP accounts to build up savings funds as a supplement to their government and work pension plans.

The RRSP has been around for decades, and while the arrival of the TFSA has given people another option with regards to retirement planning, using the RRSP is still effective, especially for investors who now find themselves in a higher marginal tax bracket or for those who easily max out their TFSA contribution room.

Which stocks should you buy?

The recent pullback in the broader TSX Index is finally giving Canadians a chance to pick up some of the country's top companies at reasonable prices. Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if it might be an interesting RRSP pick right now.

Big player

TD is a giant in the banking industry with $1.3 trillion in assets and a market capitalization of more than $130 billion. The bank is primarily known for its Canadian business, but the attractive part for buy-and-hold investors is probably the large U.S. division.

TD is the sixth-largest bank in North America by branches, and operates a network of American locations running from Maine right down the U.S. east coast to Florida. The company spent billions to build the U.S. business, which now counts more branches than the Canadian group. In addition, TD is a part owner of the U.S. brokerage firm TD Ameritrade.

Rising interest rates and recent tax cuts in the United States are providing a nice boost to TD's earnings. The American division contributed 35% of fiscal Q3 net income.

Growth

At home, TD just closed its acquisition of Greystone Capital, making the company's TD Asset Management group Canada's largest money manager. A number of the Canadian banks have acquired wealth management competitors in the past couple of years and the trend is expected to continue.

Value

TD trades for $73 per share compared to $80 in September. The current trailing 12-month price-to-earnings (PE) ratio is 12.5. That's better than where the stock was just a few weeks ago and is reasonable given the company's strong business. The forward earnings multiple is about 10.5, which is attractive when you consider that earnings growth is targeted at 7-10% per year. TD regularly exceeds its guidance on this front.

Dividends

Investors have enjoyed an average compound annual dividend growth rate of better than 11% over the past two decades. The company raised the payout by 11.7% earlier this year, and more gains should be on the way in 2019 and beyond. At the time of writing, the stock provides a yield of 3.7%.

Should you buy?

The strong U.S. operations should help drive steady growth in the coming decade while providing a reasonable hedge against any rough times in Canada. If you have some cash on the sidelines, this might be a good time to add TD to your RRSP portfolio.

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Date
2025/08/27
Date Created
2018/11/06
Author
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