



Stash These 3 Top Bank Stocks in Your TFSA Early Retirement Fund

Description

You can't go wrong by owning any one of Canada's Big Six banks for the long-term. They're "forever" stocks that deserve a permanent spot in your TFSA because of their ability to return TSX index crushing capital gains to go with a large dividend and a near guarantee of double-digit annual dividend increases.

If you've been picking your own stocks for a while, then you're probably aware that there's a "best bank for your buck" at any given point in time. While you could certainly buy the "cheapest" bank at any given time, or the bank that's performed the best over the past year, a better strategy would be to consider both the quality of a bank's medium-term growth trajectory as well as its value.

Of the Big Six banks, I've narrowed the list down to three names that I believe offer investors the greatest total return over the next three years. So, without further ado, here are the top three Canadian banks ranked in ascending order:

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#))

For as long as I can remember, CIBC has always been the cheapest Canadian bank with the highest yield regardless of how it's fared relative to its peers. With a 4.8% dividend yield and a mere 9.0 forward P/E, CIBC is indeed the cheapest of the batch, and although skeptics claim that it's cheap for very good reasons, most notably the bank's high exposure to the Canadian housing market and the bank's late entry into the U.S. market.

It's better to be late to the party than to miss out entirely. And when it comes to the U.S. market, I think the best days are up ahead. Sure, CIBC may have overpaid for PrivateBancorp, but in the grander scheme of things, investors will realize that the deal was well worth the premium after CIBC continues to make up for lost time.

While CIBC may not be in the most ideal position relative to its bigger brothers, I think the low valuation and the fatter yield are more than enough of an incentive for income-oriented investors to stash the stock in their TFSA retirement funds.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#))

BMO has been [firing on all cylinders of late](#). The company has made major strides with its ETF business, and as one of the first banks to launch an all-inclusive robo-advisory service, Big Blue appears to be at the top of its game on the innovation front.

Moreover, BMO's wealth management business looks well positioned to take share away from the non-bank asset managers as Canadians continue to gravitate towards ETFs and away from old-fashioned investments like mutual funds. BMO's compelling line-up of "smart" actively-managed ETF offerings are grabbing the attention of investors.

BMO isn't the cheapest bank at these levels, but it's arguably been one of the best performers recently. With a 3.88% dividend yield, I think investors may want to begin nibbling on any further weakness.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

TD Bank is the Wayne Gretzky of Canadian banking. Like Gretzky, TD Bank's pro-active management team always appears to be two steps ahead of the competition. They know where the puck is headed next, and it's this ability that's allowed them to become a low-risk growth king.

Here are [five reasons](#) why TD Bank is my favourite bank and why I believe it's worthy of every penny of its premium price tag. Like BMO, TD Bank is a future-proof bank that's been investing heavily in financial technologies through the acquisition of promising up-and-coming, potentially disruptive talents.

TD Bank isn't the cheapest, nor does it have the highest dividend yield at 3.68%, but given the road ahead, I think TD Bank is best-positioned to reward investors thanks to its solid retail base in the U.S. market and its promising wholesale banking business.

Foolish takeaway

CIBC, BMO and TD are my top three bank stocks at this point. If you're looking for more yield, go with CIBC; otherwise, I'd pay up for TD stock, as the company is operating at a level high level with the greatest potential to achieve excess risk-adjusted returns over the next decade.

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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:CM (Canadian Imperial Bank of Commerce)

6. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/02

Date Created

2018/11/20

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