



Toronto Dominion Bank (TSX:TD) vs. Bank of Nova Scotia (TSX:BNS): Which Is the Better Bank for Your Buck?

Description

Bank stocks are some of the best investments available on the TSX today. Offering safety, stability, and dividend income, they're perennial favourites of buy-and-hold investors.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a particularly well-regarded TSX financial stock and by far the most popular as measured by Google search interest. With a fast-growing U.S. Retail business, it's often touted as the Big Five bank with the strongest growth prospects. But it's not the only bank stock on the TSX. And in fact, it may not even be the best. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) offers comparable growth, a cheaper price, and a much higher dividend yield.

So, which bank stock should you invest in if you have to pick just one in 2018?

It helps to start by looking at growth.

Growth

Both TD and Bank of Nova Scotia had so-so growth in their most recent quarters. In TD's case, earnings grew at 9.9% year over year, whereas Bank of Nova Scotia grew at 8%. When it comes to growth, I'm inclined to give the nod to TD, not only because it has slightly higher growth, but more importantly, because of its [U.S. Retail business](#).

That segment of TD's business grew at 44% year over year in Q3. Should this growth continue, it could send bottom-line growth higher as well, as the fast-growing U.S. business makes up a larger and larger percentage of TD's earnings breakdown every year.

Profitability

Both TD and Bank of Nova Scotia are highly profitable enterprises with excellent metrics. Bank of Nova Scotia has a higher profit margin at 32% (compared to TD's 31%), while TD has the higher return on

equity at 14.6% (compared to Bank of Nova Scotia's 13%). I'd consider this category a toss-up.

Dividend income

Here's where Bank of Nova Scotia really shines. Although both TD and Bank of Nova Scotia offer high dividends, the latter's yield is much higher at 4.9% compared to TD's 3.99%. While the difference may not appear large at first glance, the small numbers are deceptive: Bank of Nova Scotia's yield is approximately 22% higher than TD's right now.

Of course, there are a million ways that fact could change. One company could [raise its dividend](#). The other could cut its dividend. Stock price fluctuations could result in yields going lower or higher. But for the time being, Bank of Nova Scotia offers more dividend income per dollar invested than TD does.

Bottom line

In many ways, Canada's big bank stocks are interchangeable. All five have P/E ratios hovering around 10. All five are growing income at about 10% year over year. All five are highly profitable, safe, and secure.

However, on the balance, I give TD my vote for the best all-around TSX bank stock, simply because of the prospect of higher future growth stemming from its U.S. Retail business. But if a high dividend yield is what you're looking for above all else, Bank of Nova Scotia is your best bet.

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1. Bank Stocks
2. Dividend Stocks
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Date

2025/09/19

Date Created

2018/12/31

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