

3 Reasons You Need Toronto-Dominion Bank (TSX:TD) Stock in Your RRSP

Description

When investing for retirement in Canada, Registered Retirement Savings Plan is the name of the game. Although TFSAs offer some of the same benefits, nothing can beat the long-term tax benefits of an RRSP. Not only do RRSPs provide a tax break on stocks held inside the account, but they also offer generous income tax deductions, which make them the perfect vehicle for stashing away assets for your golden years.

But RRSPs come with a price: you need to hold until age 71. If you withdraw any earlier than that, then the tax benefits turn into tax liabilities. So, when you invest in an RRSP, it's important to invest for the long term, as trying to pocket quick speculative gains defeats the purpose of the instrument.

Enter **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). TD Bank is a stock that has delivered exceptional returns over the long haul and is well positioned to do so in the future. This stock has many features that make it a perfect asset for retirement savers, starting with one that its U.S. competitors can't match.

150+ years without a crisis

In a recent Motley Fool interview, banking specialist Matt Frankel noted that Canadian banks have not faced a major crisis since 1839. That's over 150 years of hiccup-free banking. By contrast, the U.S. banking system faces a crisis once every 15 years on average. Although U.S. banks offer higher gains, Canadian banks take the gold in the safety category, which makes them better suited for retirement investing.

To be sure, TD bank is joined by four other big Canadian banks in being financially sound and crisis-free. However, there are certain other features that make this bank preferable to its peers. One of those is dividend growth.

Impeccable dividend growth

On the surface, TD bank's dividend yield, at just 4%, appears low compared to the other Big Five banks, which average around 5%. However, TD bank averages about 10% annual dividend growth and has plenty of [room to grow](#) compared to its sister banks. TD's management plans to maintain growth at around 10% for the next 10 years, and the stock's low payout ratio (43%) makes that goal a realistic one.

Unbeatable diversification

Last but not least, TD is unbeatable when it comes to diversification. On top of its core Canadian retail banking business, this company also has a [huge U.S. retail business](#), a commercial banking business, wealth management operations and more. Virtually any niche a bank could be in, TD is there, and the

company has geographic diversification to boot.

That latter point can be best illustrated by looking at TD's U.S. operations. In New York City, TD is the third largest bank, but the company is just starting to break into markets in the Western part of the U.S.

TD's American retail business is already growing at 44% year-on-year, and it still has several massive American markets to enter, which is why TD is often touted as the Big Five bank with the highest growth potential: it's already growing like lightning in the U.S. and still has tons of room to grow there.

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Date

2025/07/28

Date Created

2019/01/08

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