Should Toronto-Dominion Bank (TSX:TD) Stock Be in Your TFSA Today?

Description

A new year has arrived, and Canadian investors now have an additional $6,000 in contribution room in their Tax-Free Savings Accounts (TFSA).

The TFSA is a handy tool to meet a variety of savings objectives, and one popular strategy involves owning dividend-growth stocks to build a retirement fund. The distributions are not taxed and can be invested in new shares to take advantage of the power of compounding.

Over a few decades, this can turn a modest initial sum into a significant nest egg to complement government and employment pension payments. When the time comes to cash out and spend the money, any capital gains that have accrued are also tax-free.

Let's take a look at **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) to see if it might be an interesting pick right now for your self-directed TFSA.

Oversold?

The Canadian banking sector has taken a heavy hit in recent months, and TD has not been spared the pain. The stock is down from close to $80 per share in September to below $68.

More weakness could certainly be on the way in the near term, but the stock is starting to look oversold.

Why?

TD generates about $1 billion in profit every month and is targeting annual earnings growth of at least 7% over the medium term. The Canadian and U.S. economies are in good shape with unemployment at the lowest levels in decades.

Some pundits are concerned the company's large Canadian residential mortgage portfolio could see some losses if mortgage rates climb too quickly and trigger a wave of defaults. At this point, the housing market is holding up reasonably well after five rate increases, and the outlook for 2019 suggests the Bank of Canada might take a break to give the economy a chance to absorb the shock. House prices would have to fall significantly before TD feels any material pain, and the general consensus is for a soft landing.

TD receives about a third of its profit from the American operations, providing investors with a good way to get exposure to the United States, while building a hedge against any potential trouble in the Canadian economy.

The company has a strong history of dividend growth, and that should continue in line with rising earnings. The current payout provides a yield of 4%.

Should you buy?

TD doesn’t go on sale very often, and investors who buy the dips tend to get rewarded over the long haul. A $10,000 investment in the stock just 20 years ago would be worth about $90,000 today with the dividends reinvested. If you have some cash available, this might be a good time to add TD to your TFSA portfolio.

Other opportunities are also worth considering today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/07/28
Date Created
2019/01/08
Author
aswalker