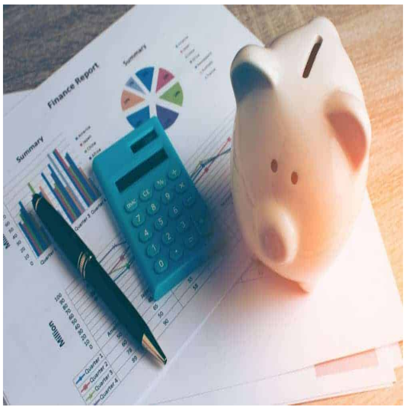

RRSP Investors: Should You Buy Bank of Nova Scotia (TSX:BNS) or Toronto Dominion Bank (TSX:TD) Stock?

Description

Canadians are lining up their RRSP contributions before the upcoming deadline, and that tends to spark a search for top-quality stocks to add to their holdings.

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The Big Five banks traditionally turn up as preferred picks, and the pullback the sector endured through the end of 2018 has created some interesting buying opportunities.

Let's take a look at **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) to see if one might be an attractive pick for your self-directed RRSP today.

Bank of Nova Scotia

Investors sometimes skip Bank of Nova Scotia in favour of its larger Canadian peers. Part of the reason is, people feel more comfortable buying the industry leaders, and the other concern is connected to the bank's significant exposure to Latin America.

Bank of Nova Scotia has spent a good part of the past decade making strategic acquisitions in Mexico, Peru, Colombia, and Chile. At first glance, that might appear odd, but the strategy makes sense when you dig deeper into the story. These four countries make up the Pacific Alliance, which is a trade bloc created to enable the free movement of goods and capital among the four countries. More than 200 million people live in the combined markets, providing attractive opportunities where penetration of banking services is lower than in Canada.

At home, Bank of Nova Scotia is also boosting its wealth management division. The company made two major acquisitions last year that should enable Bank of Nova Scotia to better compete with TD and **Royal Bank** in the sector.

The stock is up from the December low of $67 to $73 per share, but still trades well off the $82 high over the past year. At less than 11 times trailing earnings, Bank of Nova Scotia still looks cheap.

Investors who buy today can pick up a yield of 4.6%.

TD

TD also has a large international presence, but it decided to focus heavily on the United States. A string of acquisitions that began more than a decade ago has resulted in TD becoming a top 10 bank in the country with locations running from Maine right down the east coast to Florida.

The U.S. division, which also includes TD's stake in TD Ameritrade, contributes about a third of the company's profits. Lower income taxes and improved net interest margins due to rising interest rates helped drive strong earnings south of the border in fiscal 2018, and the trend should continue.

TD has one of the best track records of dividend growth in the TSX Index. The company has raised the payout by a compound annual rate of roughly 11% over the past 20 years. The current payout provides a yield of 3.7%.

At the time of writing, TD trades at 12 times trailing earnings.

Is one a better bet?

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Bank of Nova Scotia and TD should both be solid buy-and-hold picks for a self-directed RRSP portfolio.

If you can handle a bit of extra risk, Bank of Nova Scotia is cheaper and might deliver better gains once the market decides to give it a multiple that is comparable to TD. Otherwise, TD is widely viewed as the safest pick among the big Canadian banks and still trades at a reasonable price.

Other opportunities are also worth considering today.

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