3 Things to Do With This Quality Stock

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of the best stocks you can own on the TSX Index. It's one of the largest banks in North America and is one of the most profitable companies in Canada.

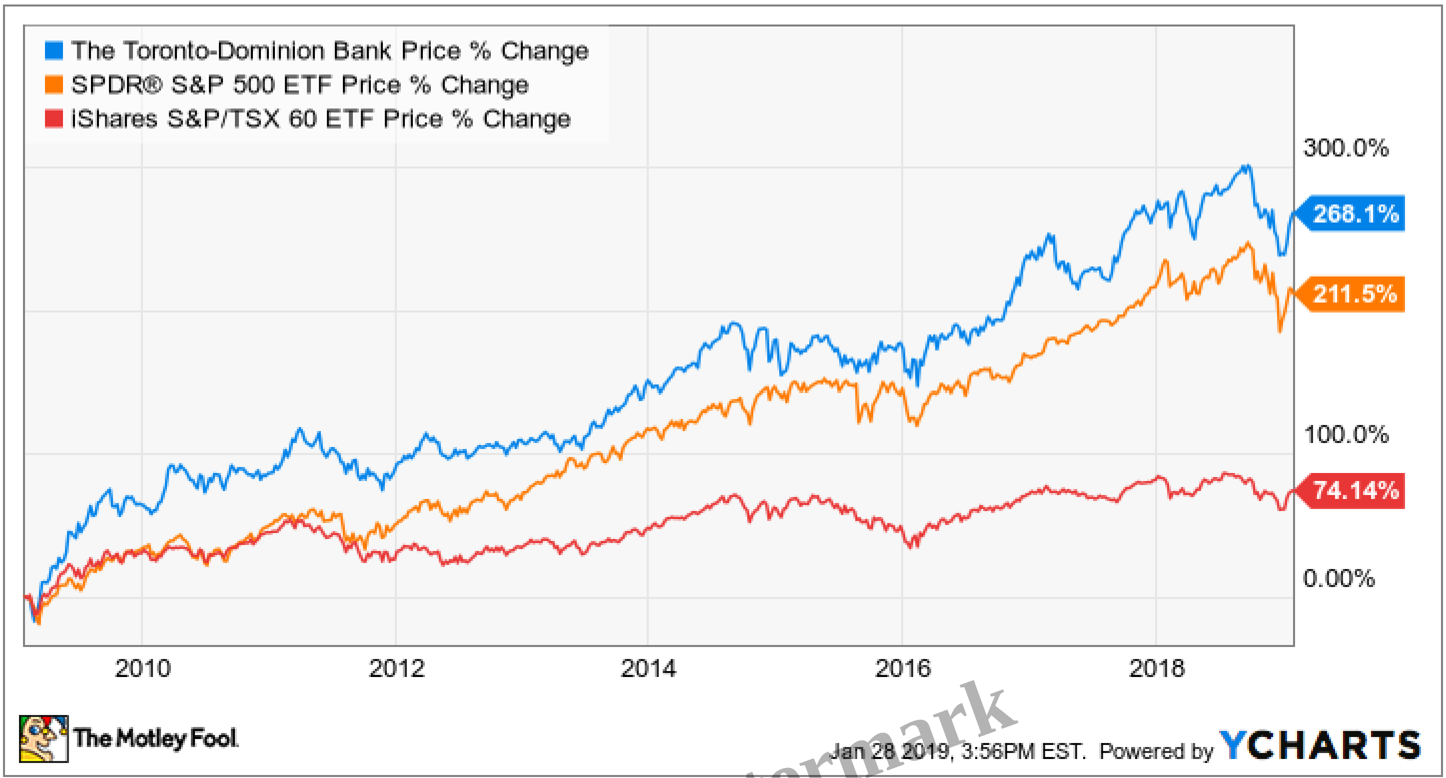
Recently, TD Bank reported being the fifth-largest North American bank by total assets and the largest in Canada. In fiscal 2018, it reported revenue of more than $36 billion and net income of about $11 billion, increases of 22% and 41% from three years ago. It's wonderful to see net income growing faster than revenue.

Here are three things investors should do with the quality stock.

Stay the course

Hold TD stock most of the time, and buy more shares on dips when it becomes relatively attractive. By paying a fair valuation on TD stock, investors should be able to get long-term annualized rates of returns of about 11%.

This estimation is based on the low end of management's aim to increase adjusted earnings per share by 7-10% over the medium term. If you aim to buy the stock when it's relatively cheap, you can push for long-term returns of about 14% per year on average.



TD data by YCharts. Comparing the 10-year price action of TD Bank, the U.S. stock market, and the Canadian stock market.

In all honesty, getting a return of about 11% per year in a quality stock is very good. A $10,000 initial investment transforms to more than $80,600 in 20 years.

If you invest an additional $1,000 each year for the same rate of return, you'll end up with a total of +$144,800 at the end of the period. If you reinvested the dividends received for 11% per year, the returns will be even more impressive!

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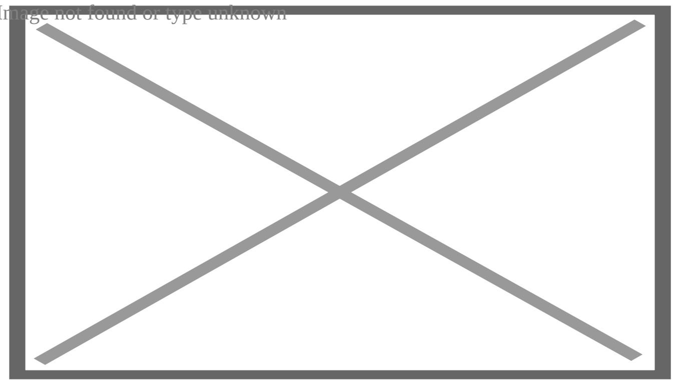

Collect dividends

The top bank pays out about 40% of its earnings as dividends, which is good news for its shareholders. As the bank increases its earnings over time, it increases its dividends, and TD shareholders get more dividend income.

Although it was a heck of a ride during the last financial crisis, during which the stock lost more than 40% of its value, the bank has increased its dividend per share by nearly 150% since fiscal 2007 (before the crisis). This equates to annualized dividend raises of 8.6% over the 11-year period.

The great thing is that TD shareholders don't have to lift a finger. Simply sit on the shares and collect a growing income, which is more favourably taxed than their career income.

Monitor TD Bank's progress

Although TD Bank is of top-notch quality, investors should still monitor its progress. At the very least, check in once a year to ensure that it's still doing fine and maintaining or increasing its dividend. In the case of "once in a blue moon" events, such as the financial crisis previously mentioned, don't panic and stay the course.

Investor takeaway

Conservative investors should consider building a diversified basket of quality stocks, including TD Bank. Then, simply stay the course, collect dividends (if the stocks pay them), and monitor their progress periodically.

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