3 Reasons Toronto-Dominion Bank (TSX:TD) Stock Is an RRSP Must-Have

Description

Bank stocks are among the best stocks you can possibly hold in an RRSP. With steady earnings growth, high dividends, and low volatility, they're exactly the type of investment that generates consistent income in retirement.

But not all bank stocks are created equal. Although all of Canada's Big Six stocks are similar, they differ in terms of growth, dividends and stability.

As far as growth is concerned, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is among the best in its class. Growing earnings at close to 8% year-over-year, it's growing much faster than the broader Canadian economy. And with a fast-growing U.S. Retail business, it has the geographic diversification needed to keep growing into the future.

If you're looking for a quality bank stock to add to your RRSP, here are three reasons to consider TD Bank.

Comparatively high earnings growth

As previously mentioned, TD Bank has comparatively high earnings growth, around 8% a year. That might not sound high, but compared to the other five of the Big Six, which range from 3.3% to 7%, it's high. Of course, this isn't the kind of growth that will double your money in a year. But if you've got your eye on retirement, 8% a year will keep you well ahead of inflation. And TD Bank has another feature that will help you in retirement even more.

Highest dividend growth among the Big Six

On the surface, TD Bank doesn't look like a huge dividend payer, yielding only 3.5% as of this writing, which would make it among the lowest yielders among the Big Six. But looks can be deceiving. As Fool contributor Kay Ng pointed out, TD has the highest dividend growth rate among its peers. So while the yield is on the low end now, the payouts will grow over time. At a growth rate of 9.4%, TD's payout could easily double in under a decade.

Comparative lack of Canadian housing market exposure

A final factor that TD has going for it is a comparative lack of exposure to the Canadian housing market.

Right now, the Canadian housing market is weak, with mortgage growth slowing and home prices tanking. This is true even in former powerhouse markets like Vancouver.

This presents a major problem for Canadian banks, who have about 30% of their loans tied up in mortgages.

For TD, this is less of a concern than it is for the rest of the Big Six. Although TD is just as invested in mortgages as the other five banks are, it is geographically diversified, with a lot of its earnings coming from the U.S.

As the U.S. is not currently experiencing a housing slump, mortgages originating from there are more lucrative than Canadian mortgages. So TD's mortgage lending operations are safer than those of its peers.

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andrewbutton