



## TFSA Investors: Should You Buy Toronto-Dominion Bank (TSX:TD) or Bank of Nova Scotia (TSX:BNS) Stock Today?

### Description

Canadian savers are using self-directed TFSAs to set aside cash to meet a wide variety of financial goals.

Young people might be saving for a house or even using the TFSA to plan for retirement. Pensioners are taking advantage of the tax-free status to hold cash that has to be removed from a RRIF but isn't needed right away for day-to-day spending needs or to shield investment income from being counted toward potential clawbacks in government payments.

Regardless of the reasons, investors often turn to dividend stocks and the Canadian banks tend to be popular picks.

Let's take a look at **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to see if one deserves to be on your TFSA [buy list](#) today.

### TD

TD is a banking giant with a market capitalization of \$135 billion. The company's brand is one of the best recognized in Canada and the strong retail operations form the core of the bank's success across the country. One thing investors might not know, however, is that TD actually operates more branches south of the border than it does in Canada.

The company has invested billions of dollars over the past 10-15 years to acquire and build a large American division that now puts TD among the top 10 banks in the United States. The locations can be found from Maine right down the east coast to Florida. In addition, TD is a partner in brokerage firm TD Ameritrade.

The U.S. business accounts for more than a third of total adjusted profits, which came in at roughly \$12 billion for fiscal 2018.

TD raised its dividend by 10% for 2019 and has increased the distribution by a compound annual rate of better than 11% over the past two decades. The current payout provides a [yield](#) of 4%.

At the time of writing, the stock trades for 12.2 times trailing 12-month earnings.

## Bank of Nova Scotia

Bank of Nova Scotia is Canada's third-largest bank, with a market capitalization of \$87 billion.

The company is best known for its international operations that are heavily focused on the emerging markets in Latin America. More specifically, Bank of Nova Scotia is betting on middle-class growth in Mexico, Peru, Chile, and Colombia. At first glance, this might appear an odd strategy for a Canadian bank, but the four countries form the core of the Pacific Alliance trade bloc and have significant commercial connections with Canadian companies.

Bank of Nova Scotia continues to make strategic acquisitions in the region and the efforts over the past few years are showing up in the numbers. Growth in the international division is outpacing the Canadian operations and the group accounts for about 30% of total net income.

Bank of Nova Scotia's dividend provides a solid 4.8% yield and the stock currently trades at an attractive 10.7 times trailing earnings.

## Is one a better bet?

I would probably split a new investment between the two banks today to get good coverage of Canada, the United States, and Latin America, while earning an average dividend yield of 4.4%.

If you only buy one and want the safest pick, TD is likely the way to go today. Otherwise, investors who don't mind a bit of extra risk might want to make Bank of Nova Scotia the first choice. The stock appears somewhat oversold right now and could offer better long-term returns.

### CATEGORY

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

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TD (The Toronto-Dominion Bank)

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