



TFSA Investors: 2 Dividend Stocks to Buy and Hold Forever

Description

Canadian banks have proven to be historically strong investments over the long-term, providing investors with a combination of capital gains, dividend income and compounded dividend growth.

Because the Canadian banking industry is largely concentrated among a few large and formidable players, competition among the various parties has remained healthy over the years, but has yet to reach a point where it would become self-destructive and at risk of sabotaging the sectors' long-term viability.

And because banking plays such a central role to the functioning of our economy, it probably shouldn't come as all that much of a surprise that our country's two largest publicly traded companies come from the banking sector.

By a difference of nearly \$20 billion, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) currently sits atop the mountain as Canada's largest privately owned corporation, with rival **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) next in line to the throne, so to speak, with a market capitalization of just over than \$135 billion.

When it comes to survival – and business is no different in this respect – there's certainly safety in numbers.

The sheer size of these two companies offers several benefits to long-term minded shareholders, not the least of which is that size and strength tends to beget increased strength, especially when it comes to accumulating wealth and compounding investment returns.

On a more micro scale, the access that both Royal and TD enjoy over some of their smaller rivals has also helped them to expand the scope of their respective businesses in the decade that has passed since the financial crisis of 2008-09.

Royal has continued to make strides in overseas markets, notably in wealth and asset management. Meanwhile, TD has made large strides in the evolution of its own business in vastly expanding the reach of its retail banking network throughout much of the eastern U.S. seaboard.

While the investments each has made in the past decade to diversify their operations globally have a very long-term vision in mind, the results appear to be paying off already.

Take, for example, the second-quarter results reported by both recently compared to those of more domestically focused, and smaller, rival **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)).

Both TD and Royal showed strong results for their shareholders in the second quarter, posting encouraging growth in earnings per share against the second quarter of a year ago.

Yet the story when CIBC reported its own second-quarter results was [a little different](#).

Earnings for CIBC were only slightly higher compared to the year ago period, thanks in large part to a drag on performance from a decline in the bank's Canadian personal and small business banking unit, which included a 20% spike in credit provisions from the year ago period.

Foolish bottom line

Because both TD and Royal have greater access to a wider breadth of markets, including those located [beyond Canada's borders](#), it allows them greater flexibility in choosing which types of business to pursue.

Perhaps CIBC has taken note too, having announced its plans to diversify and transition its business, including investments in technology that it hopes will pay off over the long term.

Yet if CIBC's latest quarterly results are providing any indication of a potential weakening in Canada's credit markets, now is probably as good a time as any to be investing in quality, even if it means paying a slight premium to get it.

TD and Royal certainly won't be going anywhere any time soon.

Investors may want to use the latest opportunity to add to their positions in these two blue chip dividend aristocrats, and seek to compound those returns tax-free in their TFSA accounts for the long term.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)

2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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