



A Top Canadian Dividend Stock to Help \$10,000 Become \$75,000 in Your TFSA Retirement Fund

Description

Canadian savers are using their self-directed TFSA to build a portfolio of top stocks to help cover living expenses in retirement.

Let's take a look at one top company that might be an interesting pick today for a [TFSA retirement fund](#).

Toronto Dominion Bank

Toronto Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) just reported strong fiscal Q2 2019 results in a quarter where a good number of its Canadian peers delivered results that missed analyst expectations. The difference at TD lies in its strong American division that has grown from pretty much nothing in 2005 to its current position as a top 10 U.S. bank.

Growth didn't come cheap, however, as TD spent billions of dollars to buy attractive regional banks in key markets running from Maine right down the east coast to Florida. Now, TD has more branches in the United States than in Canada.

The Canadian business still generates the majority of the revenue and profits, but the U.S. provides balance and helps offset some of the headwinds facing the Canadian banks.

TD is widely considered to be the safest pick among the big Canadian banks, but it isn't without risk. The company has a large residential mortgage portfolio that could come under stress in the event that interest rates rise sharply or the Canadian economy goes into a tailspin.

For the moment, mortgage rates are actually falling and interest rate hikes are probably on the shelf for the medium term. Regarding the economy, employment remains robust in Canada, and while storm clouds could be brewing on the global trade front, there isn't any indication of an impending major downturn.

TD is well capitalized, and its mortgage portfolio can ride out a rough patch.

On the growth side, TD made a wealth management acquisition last year and continues to watch for tuck-in opportunities in the United States. Management anticipates that earnings per share will grow at 7-10% per year over the medium term, which should support continued [dividend](#) increases in the same range.

TD has a strong track record of boosting the payout. The company has a compound annual dividend growth rate of better than 11% over the past 20 years. Investors who buy the stock today can pick up a yield of 3.9%.

Should you buy?

TD is trading at a reasonable 12.1 times trailing 12-month earnings. A few of its peers can be bought at cheaper multiples, but you're getting a top-quality bank with TD, and waiting for a pullback in this stock can mean missing important dividends and additional upside.

If you're searching for an anchor stock for your TFSA retirement fund, TD deserves to be on your radar. A \$10,000 investment in TD two decades ago would be worth about \$75,000 today with the dividends reinvested.

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Author

aswalker

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