



Why TD Bank (TSX:TD) Is 1 of the Best Stocks for Your TFSA

Description

Finding out stocks that could multiply your savings in your [Tax-Free Savings Account](#) (TFSA) is no secret. But the challenge that many new investors face when they think about stock investing is that they don't want to wait; they want quick returns.

To be a successful long-term investor, you need to understand that there are no quick gains. No one can tell you where stock markets are heading tomorrow or when a particular security will bounce. Successful investors have one thing in common: they invest in companies that thrive in all environments.

The same strategy applies if you want to multiply your wealth by taking advantage of your TFSA account, which, as its name tells, is a tax-free incentive for investors to promote savings.

If you're ready to embark on this long journey, then think about old and boring companies, such as banks, insurance, and gas and power utilities.

One common trait that these powerful companies share is that their managements love to reward their shareholders with regular payouts, or dividends. These cash distributions are your share of the profit a company has made, which it wants to distribute among its investors. Such companies not only pay regular dividends, but they also grow them each year. Such stocks are known as dividend-growth stocks.

TD stock's income potential

If you're a long-term investor looking to build a portfolio of successful investments, you should consider investing in dividend-growth stocks. One of Canada's largest lenders, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), is my favourite pick in this class.

The lender has an [excellent payout policy](#), distributing between 40% and 50% of income in dividends each year. In addition, TD has a great diversification business with its wide presence in the U.S. It generates about 30% of its net income from the U.S. retail operations.

The bank also has a 42% ownership stake in TD Ameritrade with a fast-expanding credit card portfolio. Following its aggressive growth in the U.S. during the past decade, TD now runs more branches south of the border than it does in Canada.

After a 10.4% increase in its payout in February, income investors in TD stock now earn a \$0.74-a-share quarterly dividend, which translates into a 4% yield on yearly basis.

Trading at \$75.33 a share, TD stock has probably seen the best of 2019, as the central banks in North America get ready to cut interest rates. That move is negative for bank earnings, as falling interest rates reduce their margins on the banking products. But if that happens, and you see some weakness in the banking stocks, I would recommend buying TD stock, which is one of the best options to earn long-term income.

The bank is forecast to grow its dividend payout between 7% and 10% each year going forward — an impressive growth rate at a time when the 10-year government note is yielding less than 2%.

Bottom line

TD is one of the best dividend stocks to hold for the next 10, 20, or even 50 years in your TFSA. The lender has solid earnings momentum, and it's a good defensive play. These qualities make it a good candidate for investors who have a long-term horizon.

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