TFSA and RRSP Retirement Investors: 2 Canadian Banks to Buy and Hold for Decades

Description

For many TFSA and RRSP retirement investors, the challenge is to find stocks that will be reliable and predictable long-term investments. I'm talking stocks whose dividends we know we can rely on through thick and thin, through cycles, and through the long term to make it to the other end richer, wiser, and happier in retirement.

Canadian banks are this type of stock. They have reliable growing dividends, secure financial positions that allowed them to withstand the 2008 financial crisis, and growing businesses that have been capitalizing on many secular trends, including the aging population and the consequent greater need for investment management services.

Let's take a look at two Canadian banks, each with their own strengths and weaknesses and investment cases. Consider buying both of these for your TFSA and/or RRSP and hold for long-term dividend income, stability, and growth.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is the second-largest Canadian bank by market capitalization. TD Bank is the sixth-largest bank in North America measured by branches. It is a leading Canadian bank that has branched out very successfully into the U.S., with its U.S. business making up more than 35% of the bank's income.

We have on our hands a Canadian bank with an unrivaled leadership position and history of success. This success has translated very nicely to shareholders, with a five-year compound annual growth rate (CAGR) in dividends of 9.5%, a dividend policy of annual increases, and a stock price that has risen more than 40% in the last five years.

Latest results out of TD Bank were impressive and illustrate the superiority of its operations. The bank reported a surprisingly strong 4.2% increase in Canadian P&C EPS, which was a much better performance than CIBC and Canadian banks in general, and a 15% increase in U.S. P&C earnings, as loan growth was 5.6% and lower expenses brought the efficiency ratio down year to date.

TD Bank's current dividend yield is 3.8%.

Canadian Imperial Bank of Commerce

You can buy and hold **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) stock for its very attractive dividend yield and its potential to increase its diversification into the U.S.

Although CIBC continues to be plagued by disappointing growth, a concentration of exposure to the Canadian market, and a general sub-par performance with regard to expense management and efficiencies, there is a real effort being made to expand into the U.S. to boost growth and diversify, with the U.S. now representing 10% of revenue.

And while the bank's efficiency ratio (expenses dividend by revenue) is at almost 50% currently and has consistently been weaker than TD Bank's efficiency ratio of closer to 40%, the bank is moving in the right direction.

We know that loan growth has been slowing, provisions for credit losses have been rising, and the bank is generally thought to be suffering due to its lack of diversification into higher growth markets like the U.S. But on the bright side, investors are compensated for these risks in the form of a very generous dividend. CIBC bank's dividend yield is currently 5.38%, and with a 15-year 5% CAGR in dividends, we can see how CIBC is also a reliable dividend-paying stock that RRSP and TFSA investors can count on.

CIBC's stock price has provided shareholders with a 6.3% capital gain return, which is clearly far lower than TD's five-year capital gain, but it is respectable, especially considering the higher dividend yield that CIBC has afforded investors. Going forward, there is big upside potential that still exists due its lower valuation.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

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