



TFSA Investors: A Top Dividend Stock I'd Buy Today With an Extra \$6,000

Description

Once in a while Canadian investors come across some extra cash.

The windfall could be the result of a bonus at work, the sale of the RV that sat in the back yard for the past five years, or a lucky break on the lottery ticket purchased on a whim while filling the car at the local gas station.

Regardless of the source, using the found money to top up the annual [TFSA](#) contribution room, rather than spending it on an all-inclusive holiday, might be a smart decision.

One option would be to buy unloved [dividend stocks](#) inside a self-directed TFSA. The goal is to get a deal on a great company and comfortably collect some attractive yield while you wait for better days. When the distributions are invested in new shares, investors harness a powerful compounding process that can turn the modest first investment into a nice pile of cash down the road.

Let's take a look at one top Canadian dividend stock that might be an interesting pick right now for your TFSA portfolio.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) trades at 10.6 times trailing 12-month (TTM) earnings compared to more than 12 times TTM for its two larger Canadian peers.

A small discount is expected due to the large international business primarily located in Mexico, Peru, Colombia, and Chile. In theory, emerging markets carry more risk than the United States or Canada, so investors don't want to pay as much for the stock. However, growth opportunities in the Pacific Alliance countries arguably outstrip the potential at home, and the performance in the international division has outpaced Canada in recent quarters.

Bank of Nova Scotia is working through the integration of three large acquisitions, which might be another reason that the market is soft on the stock as they wait to see whether the purchases deliver

the expected gains.

Regarding housing risk, Bank of Nova Scotia's residential mortgage portfolio is capable of riding out a housing downturn. The company has a strong capital base, and now that mortgage rates are falling, the potential for a wave of mortgage defaults has dropped.

Overall, Bank of Nova Scotia's profits remain solid and the bank's dividend should continue to grow.

Should you buy?

Investors who buy the stock today can pick up a reliable 4.9% yield. The shares trade at \$71 compared to \$84 in late 2017, so there is some solid upside potential on an improvement in sentiment.

If you have some cash available, Bank of Nova Scotia should be a solid buy-and-hold TFSA pick today.

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