Why Buying TD Bank (TSX:TD) Stock Offers Growth to First-Time Dividend Investors

Description

New dividend investors who haven't yet added **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to a TFSA, RRSP, or other long-range portfolio of TSX stocks have a treat in store for them. Let's take a look at the bull case for TD Bank to see why the Big Five banker deserves your consideration for a top spot in a passive income portfolio.

A high-growth banker with key U.S. exposure

Investors with a long-range financial horizon looking for a growing dividend should consider adding Canada's most popular bank to their passive income portfolio for one key reason: the U.S. market segment of its business accounts for approximately 30% of its net income.

This gives Canadian investors instant diversification away from domestic banking, while also retaining a foothold in our own housing and credit markets.

A nicely valued stock paying investors a modest but perfectly formed dividend that currently yields 3.83%, TD Bank is a mainstay of Canadian investment, closely watched by investors on both the TSX and NYSE.

While TD Bank stock could fall on news of a U.S. recession, for Canadians bullish on the American economy, it's a good way to get exposure while plugging into our own world-class banking system.

It's that same American exposure that makes TD Bank's dividend so appealing, with the home of the big green chair pushing ever deeper into the U.S. market.

Loan volumes have increased in that territory, driving TD Bank's net income in its U.S. retail segment up 23% compared to 2018. That's a massive leap forward, which means that new investors are looking at a very attractive addition to the financials section of their passive income portfolio.

A glimmer of greed in a fearful market

Meanwhile, our domestic housing market is starting to settle predictably, adding a bit of extra stability this side of the border. The bottoming out of the residential mortgage market affords extra clarity to banking investors, and a source of moderate, incremental growth going forward as home sales stabilize.

Furthermore, having shed 1.5% over the last 12 months, shares are now attractively valued on the back of the slowing mortgage market and a general fear of loan defaults.

With dividends set to increase annually by 7% to 10% for the foreseeable future, investors have a market-beating stock just right for a long-range savings plan.

While the usual bank stock risks apply (such as a worsening economic outlook leading to bad loans and a deepening mortgage origination slump), TD Bank is an affordable option with a decent return on investment, a slew of classically defensive qualities, and that rare extra element that is often missing from bank stocks: Growth.

The bottom line

If you're looking for a sturdy stock to buy and hold for the long term, TD Bank is still one of the top **TSX** tickers to add to your financials shopping basket. It's got the market share, growth outlook, and solidly defensive heft to go the distance, and would make a strong addition to a TFSA or RRSP, bringing peace of mind and a steady influx of assured and growing dividends.

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