



## Is Toronto-Dominion Bank (TSX:TD) 1 of the Best Stocks for a TFSA?

### Description

When you shortlist your best stocks to stash them in your [Tax-Free Savings Account](#) (TFSA), make sure you have in it some solid dividend-paying stocks. Over the long run, the companies that reward their investors regularly are well positioned to produce better returns.

In Canada, top banking stocks are certainly on top of that list. What makes these names my favourite picks is their diversified revenue streams, their conservative lending practices, and their ability to come back after every pullback.

Among these banking stocks, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is looking quite attractive these days. After an almost 7% decline in the past one month, its stock now yields more than 4%. That kind of return may look meagre to some investors who like high-flying technology stocks, but if you compare this yield with other assets, such as government bonds and GICs, you will find that TD stock's rate of return is quite appealing.

For the long-term TFSA investors, one of the most important considerations should be to preserve their capital and avoid taking too much risk. TD Bank stock nicely fits that criteria.

### Strong operations

The lender has a well-diversified business operations in both Canada and the U.S. In the home market, it's the second-largest lender with a robust earning history. In the U.S., TD is also quite strong with the expanding presence.

In the most recent earnings, TD reported that the U.S. retail division posted 29% growth in earnings to a record \$1.26 billion. Overall, TD roughly 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.

Another big advantage of keeping TD Bank in your TFSA is that it regularly pays dividends that increase over time. You can multiply your holding quickly by the power of compounding if you keep re-investing these payouts to buy more of TD shares.

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. Historically, TD has been distributing between 40% and 50% of its annual earnings in payouts.

## Bottom line

The [fear of recession](#) is forcing some investors these days to go bearish on the banking stocks, and TD Bank isn't immune to this trend. But if you're on the sidelines for a better opportunity, the current weakness in its stock could offer you a better yield for your TFSA.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

1. Business Insider
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