



Want to Retire Wealthy? 1 Stock Is All You Need

Description

The goal of would-be retirees is not only to be contented in the sunset years but to retire wealthy. Being prosperous in this context is to have an anchor stock that could sustain a retirement lifestyle.

Toronto Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), the most popular Canadian bank, can deliver an income stream for decades to retirees. Whether you're [building your retirement fund](#) through the TFSA or RRSP, you have a dividend machine in your portfolio.

A dividend aristocrat

TD steadily grew in more than 137 years of operations and has paid out dividends to shareholders for decades. Retirees in both Canada and the U.S. invest in TD to achieve their retirement goals.

This \$131.48 Canadian billion bank continues to outclass American banks. Over the past decade, TD was able to generate double-digit returns on equity every year from its retail operations. In comparison, U.S. banks can only deliver ROEs in single digits.

Through the years, TD's focus is on retail banking and finds no need to run after exotic but risky loan products for higher income. The strength of its retail business allows the bank to continue distributing dividends. Since 1999, TD has raised its dividend 17 times.

Within that time frame, TD's distribution grew at an annual compounded rate of 11%. TD currently yields 4.14%. The payment of the dividend was halted only twice — during the dot-com bubble and the global financial crisis.

Incredible returns

Ideally, your retirement planning should begin 20 years before D-day. You have enough time to save, grow wealth, and live comfortably for the remainder of your life. TD's historical performance as dividend payer will amaze you.

An investment of \$10,000 two decades ago yielded a total return of 834%. It already includes reinvestment of dividends. That's more than a moderate growth for would-be retirees.

Market analysts covering the stock see TD maintaining a compound annual dividend-growth rate of more than 10% per year. If the bank has done it in the past two decades, it can do so over the next five years and beyond.

Furthermore, with a modest payout ratio of 44.35% and strong fundamentals, you can expect the dividends to grow in consonance with the bank's profits. As to the price forecast, a modest gain should be in the offing. But with the challenges facing the banking sector, the maximum upside would not be more than 25%.

Remember that TD has unfinished business. The bank's expansion in the U.S. is ongoing. TD is unrelenting because of the extended runway to grow profits. There will be new acquisitions, as TD beefs up its asset management and credit card portfolios.

Another avenue the bank is trekking to grow dividend distribution is through technology. By investing in automation technologies, TD can bring down administrative costs and close branches that are cost centres rather than profit centres.

Wealth builder

Retirees deserve a stock that can preserve capital, deliver a steady income stream, and ensure safe dividend distribution. TD has proven time and again the resiliency to endure in a market under duress. A financial crisis or [recession will be the least of your concerns](#). Why not seize the opportunity and scoop this wealth-building stock now?

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