The Easiest Way to Turn Your $1,000 TFSA Into $10,000

Description

Canadian bank stocks are the best investment any Tax-Free Savings Account (TFSA) investor can make. Not only do they offer guaranteed high-yield dividend payouts, but Canadian banks are the safest in the world with high capital-to-asset ratios and substantial returns to equity.

Take this rock-solid dividend payer, for example. **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) has a consistent history of following through with dividend payments, and they are steadily rising. Canadian banks, in general, have reliably issued increasing dividend payments to shareholders.

As central banks renew their commitment to easy monetary policy and low-interest rates, TFSA investors should consider banking stocks the safest place to guard their savings.

The most prominent mistake TFSA investors are making today is maintaining their tax-free savings in cash versus higher-yielding assets like stocks and risk-free Government-Insured Certificates (GICs).

Instead, Canadian investors should purchase shares in Bank of Nova Scotia, which raised its dividend to $0.90 per share on its last earnings release — a 6% increase from last year. At the stock’s current market price of around $72.80, the dividend yield is just under 5% annually.

Concerning the safety of the initial investment, Bank of Nova Scotia has a relatively stable price history. The stock has steadily increased from $6.25 in January 1995 to over $70 per share in 2019. Besides one year of temporary turbulence between August 2008 when the stock lost 50% of its value and August 2009 when it completely rebounded, the stock has not let investors down on the capital gains front.

TFSA investors should be purchasing shares in government-insured dividend payers. Bank of Nova Scotia and other big players in Canada’s banking industry fit this description perfectly. More importantly, Canadian banks are boosting Canada’s foreign profit generation with robust international strategies.

Bank of Nova Scotia expands to South America

Bank of Nova Scotia is banking on the smooth-running South American economy to fuel double-digit earnings growth. The bank has been expanding South American operations in Peru and Chile where it has little competition from other Canadian banking institutions.

Complementing BNS's strategy, **National Bank of Canada** is profiting from its Cambodia ABA subsidiary. National Bank's specialty finance division is bringing in double-digit earnings growth from its recent Cambodian acquisition. Specialty finance includes unsecured consumer loans, non-prime credit cards, and other credit options to non-traditional borrowers.

Bank of Montreal is also allowing Bank of Nova Scotia to pave the way in Latin America. BMO is more intent on expanding its footprint in the United States. Although revenue growth in the United States was weaker than expected, Bank of Montreal grew its pre-tax profit by 9%, according to the stock's most recent earnings announcement.

Foolish takeaway

Canadian investors who want to see their savings accounts grow in value need to research how stocks have performed in the past. Canadian banking stocks have performed remarkably well — even during times of financial crisis.

In addition to offering a relatively safe investment, these assets also typically return higher than the market average interest in the form of guaranteed dividends — on top of substantial capital gains. Every TFSA investor should begin their journey of income growth by becoming loyal shareholders in Canadian bank stocks.

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