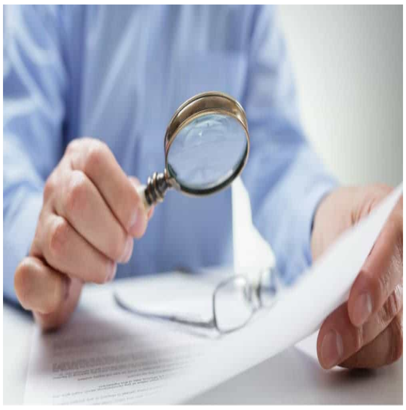

There's a New Reason to Buy This 3.8%-Yielding Bank Stock

Description

If further proof were needed that **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is one of the most significant investments on the TSX, look no further than the fact that its online brokerage arm, **TD Ameritrade**, is now part of the biggest financial mergers and acquisitions news of the year.

After an interesting episode this year that saw TD Ameritrade follow **Charles Schwab** into the zero-commission zone — and off a cliff on the markets — the latter is now snapping up the former. The M&A breakthrough also means that TD Bank's online brokerage arm will now no longer be looking for a new CEO after Tim Hockey vacates the role early next year — a point of some discussion among investors.

Increased stability in the financial sector

At the end of the day, two things are important for discount online brokerages: competitive edge and relevance. The M&A makes the Schwab-TD Ameritrade entity both of those things and makes shares in both companies, as well as TD Bank by extension, clear buys at the moment for any investors seeking out dominant financial institutions.

The all-stock takeover comes with big numbers attached: the acquisition is worth a not-unsubstantial US$26 billion and will create a financial entity with combined assets in the area of US$5 trillion. TD Bank, which owns 43% of TD Ameritrade, will trade for a 13.4% stake in Schwab.

As TD Bank CEO Bharat Masrani puts it, "This transaction will deliver significant value for TD and provide us with an ownership stake in one of the most innovative and highly regarded investment firms in the U.S."

Schwab CEO Walt Bettinger has been equally effusive, stating, "We believe the combination of our two great companies positions us to be competing and winning in the investment services business for the long run — the very long run."

And its the long run that TD Bank investors have their eyes on. A top stock to add to a long-range portfolio with a focus on dependable passive income, TD Bank is one of the sturdiest plays for reliable dividends on the TSX. Its 3.8% yield may not be the highest of the Big Five in terms of dividends, but it's a more than sufficient place to start for a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP).

The bank is also more secure for its recent inclusion on the list of most systemically important banks in the world, as per the Financial Stability Board (FSB). Tasked with stopping a recurrence of the financial crisis of 10 years ago, the FSB ensures that the banks it deems as systemically important balance risk appropriately. TD Bank has been added at the lowest rung.

The bottom line

A systemically important bank on the world stage and now strategically strengthened by its attachment to the financial merger of the year, TD Bank is a sturdy play for passive income in the Canadian banking space. Its combination of growth and dividends makes it a strong first stock for newcomers to the TSX as well as TFSA and RRSP investors.

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