Retiring Investors: 1 Great Reason to Add This Bank Stock to Your RRSP

Description

When it comes to picking stocks fit for retiring with, Canadian banks are often high on the list. Whether your retirement is far on the horizon or just around the corner, the Big Five pack just the right amount of passive income and defensive properties. But not all Bay Street bankers are equal, so which tickers should you pack in your registered retirement savings plan?

A safe choice for your RRSP

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) pays a 3.85% yield and is up 6.84% in the past year – a moderate amount of growth for a Canadian bank stock, and indicative of its popularity.

Trading just 17% below its 52-week high, TD Bank shares are still a little rich, though, so the strictly value focused investor may want to wait for a dip. In terms of risk, though, TD Bank is in line with the industry, with low external stressors.

This week's big news for TD Bank involved the biggest financials merger of the year: **Charles Schwab** acquired **TD Ameritrade** in an all-stock deal that sees the formation of a $5 trillion financial powerhouse.

The added exposure to the broader financials environment makes for an attractive investment: Moody's Investors Service Senior VP David Beattie has described the transaction as, "… allowing Toronto-Dominion Bank to continue to participate in the evolving wealth industry in the U.S. through a meaningful stake in a new industry leader with enhanced scale and breadth of product offerings."

One note of caution, however: TD Bank has been dependent on the markets in the U.S. for a lot of its growth. While this has seen it strengthened in comparison with some other domestic banks, it does leave the Bay Street favourite exposed to a potential recession on the other side of the border.

Other risks could come from a growing level of consumer debt and an overheating housing market.

The best of the rest

For a combination of wealth creation and peace of mind, stacking **Scotiabank** shares can help lower the risk in a long-term passive income stock portfolio built for a comfortable retirement.

Scotiabank pays investors a 4.8% dividend yield; up 6.8% in the last 12 months it's a popular choice. Trading 12.9% above its 52-week low, it's moderately good value for money, too.

Scotiabank is also bullish on North American economies, and does not foresee a recession either side of the border. As CEO Brian Porter puts it: "We've classified ourselves as downturn ready, and you can see it in our numbers. We haven't been stretching for business."

CIBC has been trading fairly flat for the year; meanwhile, however, it has seen some peaks and troughs: The stock is selling 18.4% higher than its lowest point in the last 12 months. Paying a 5% dividend yield, CIBC is the richest of the Big Five in terms of passive income, making for a reassuring addition to an RRSP.

The bottom line

The systemic risk of a housing market correction would be one of the biggest concerns of a low-risk investor looking to buy and hold bank stocks for the long term.

While Canadian banks are generally low-maintenance investments, holders of RRSPs packed with Big Five dividends would want to keep an eye on the news and manage their portfolios accordingly.

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Date
2025/09/22
Date Created
2019/11/30
Author
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