

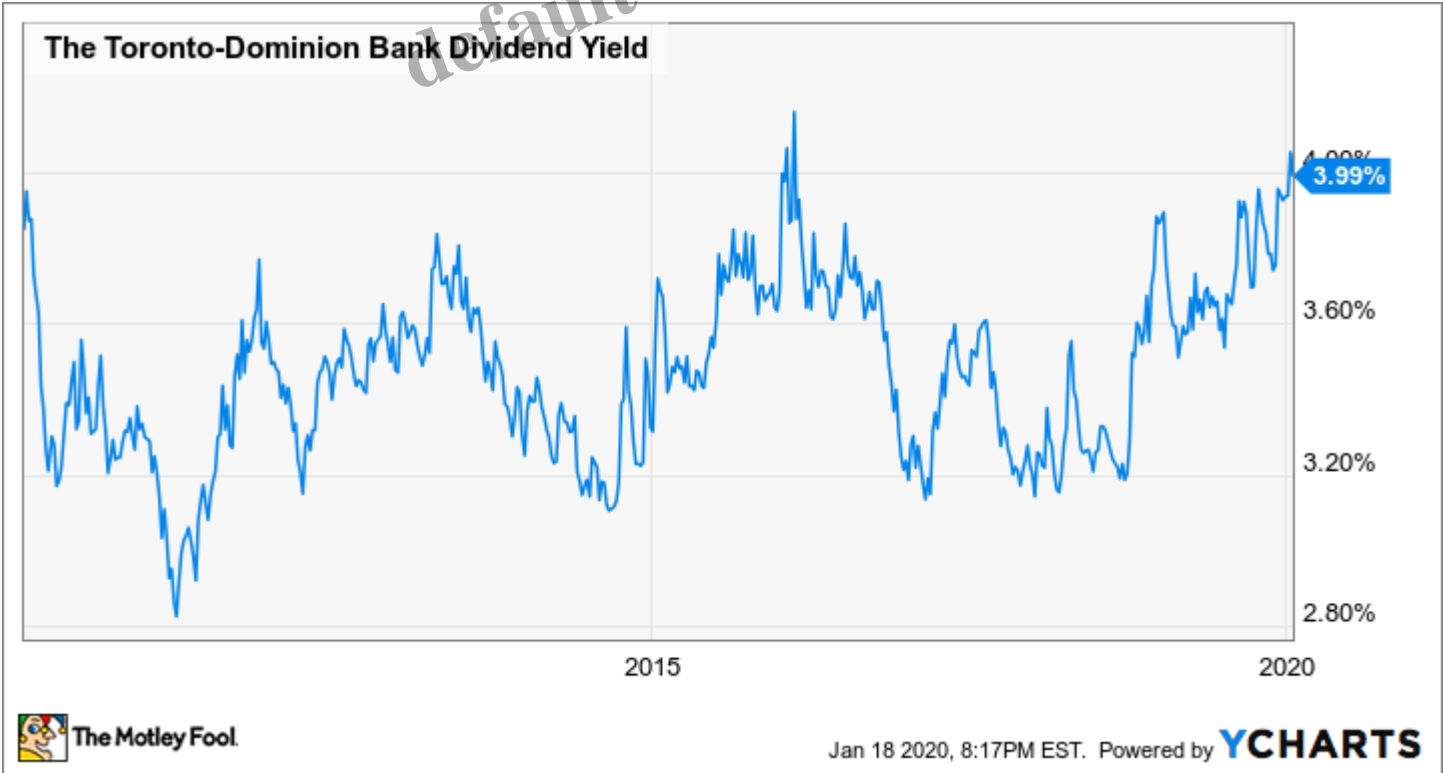


# TD Bank (TSX:TD): 1 of the Best Bank Stocks to Own for the Next 100 Years

## Description

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stock is the kind of steady-eddy dividend stock that works well as a core holding in a diversified portfolio.

Its high profitability is consistent and, importantly, shareholders can [get reliable passive income](#) from its 4% dividend yield and growing dividends.



TD Dividend Yield data by YCharts

TD is the second-youngest bank of the Big Five Canadian banks; it was formed in 1955 when two old banks combined. (At the time, the banks were, respectively, 100 and 86 years old.)

Since then, TD has climbed to second place across multiple metrics. For instance, the bank ended fiscal 2019 with total assets of more than \$1.4 trillion – only shy of the 5% of **Royal Bank**, Canada's top bank.

It's not necessarily a race to the top. However, the large scale of TD does come with benefits. Specifically, banks invest in their systems and digital platforms regardless of how many customers they have, but the more customers they serve, the lower the cost per customer.

And if banks are doing things right, they'll keep their customers for a lifetime. The value that a lifetime customer brings to a bank is immense.

TD has earned double-digit returns on equity (ROE) for at least a decade. Its five-year ROE is about 14.3%, while its 2019 ROE of 14.6% was even better. Its profit consistency makes it one of the best businesses to own for the next century!

## What differentiates TD stock from the rest?

TD chose to build a retail franchise that should allow it to deliver more consistent earnings with lower risk compared to other banks. At the end of fiscal 2019, it had more than 26 million customers around the globe – about half are digital customers.

Its risk is spread across those 26 million customers. This is a marked difference from [Royal Bank](#), which has 17 million clients worldwide and a greater focus on wealth management and capital markets businesses.

Since 2005, TD has had an increasing retail focus and has expanded very successfully into the U.S., while increasing its dividend by 3.6 times.

## A good time to buy TD stock

Along with most other big Canadian banks, TD stock has underperformed recently. In the last 12 months, the TD stock price only gained 4%.

The bank generated 2019 earnings of \$6.69 per share, which was only a mild increase of 3.4% year over year. This was a far cry from the compound annual growth rate of over 11% in the previous five years.

As a result, the TD stock price has gone flat and is trading at 2018 levels. This is precisely when you want to buy the quality bank stock – when it's at a good valuation.

At about \$74 per share, the bank trades at about 11 times earnings, which is a good multiple to pay for its medium-term earnings-per-share target of 7% to 10% annually. The decent valuation is precisely the reason to buy the stock for long-term investment.

## Investor takeaway

TD is now the sixth-largest bank in North America by total assets, market cap, and earnings. It will continue to grow over the long term from its exposure to the U.S., the largest economy in the world, and its leading position in Canada.

Investors can grab TD stock today at a good price with an initial dividend yield of 4% and be buoyed up by a dividend hike next month.

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