



Patient TFSA Investors: How to Turn \$10,000 Into \$75,000 in 20 Years

Description

The 2020 stock market crash wiped more than 35% off the value of the **TSX Index** in just a few weeks.

Bargain hunters started to scoop up heavily oversold stocks in March. [TFSA](#) investors with cash sitting on the sidelines are wondering which stocks might still be cheap buys for a self-directed pension fund.

Buying share in the midst of a market crash is not easy. Catching the bottom is nearly impossible, and there is always a risk a cheap stock will get a lot cheaper before the market recovers. However, a quick look at the performance of the stock market after major corrections suggests this might be a great opportunity for TFSA investors.

Which top dividend stocks should you buy?

Market leaders that provide essential services deserve to be on your radar. Ideally, the stocks should have long track records of dividend growth supported by rising revenue and profits. Using the dividends to buy more shares helps boost returns by harnessing the power of compounding.

Let's take a look at one top Canadian [dividend stock](#) that appears cheap right now and might be an interesting pick for a balanced TFSA retirement fund.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank by market capitalization.

Risks

The downturn in equity markets and a crash in commodity prices will put pressure on Bank of Nova Scotia's domestic and international operations.

The bank bought two Canadian wealth management businesses in 2018. The purchase of Jarislowsky Fraser added more than \$40 billion in assets under management. Bank of Nova Scotia then acquired MD Financial, a wealth management firm that caters to Canadian doctors. That deal contributed \$49

billion in assets under management. Bank of Nova Scotia spent 2019 working through the integration process and launched a new Global Wealth division late last year.

In hindsight, the timing of the deals wasn't great. Nonetheless, the Global Wealth operations should still deliver solid long-term results for the bank.

On the international front, Bank of Nova Scotia gets about 30% of adjusted net income from foreign operations. The bank invested billions of dollars over the past decade to build a strong presence in the Pacific Alliance countries of Mexico, Peru, Chile, and Colombia. These countries could take a big hit in the near term due to the coronavirus outbreak and the plunge in oil and copper prices.

Opportunity

Once the epidemic passes and global economic activity rebounds, the Pacific Alliance bloc offers significant growth potential. The four countries are home to more than 225 million consumers and banking penetration is less than 50%. Demand for loans and investment products should increase, as businesses move into new markets and the middle class grows.

Bank of Nova Scotia's dividend provides a yield of 6.6%. The payout should be safe. At the time of writing, the stock trades at \$54 per share. That compares to \$74 in February, so the upside potential is attractive on a rebound.

The trailing 12-month price-to-earnings ratio is close to eight. This appears oversold, even when the near-term headwinds are considered.

Long-term investors have done well with the stock. A \$10,000 investment in Bank of Nova Scotia 20 years ago would be worth more than \$75,000 today with the dividends reinvested.

The bottom line

Bank of Nova Scotia might see additional near-term downside, but the bank deserves to be on your radar right now for a balanced TFSA retirement portfolio focused on top dividend stocks.

The TSX Index is home to many top-quality companies that appear oversold today.

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