Will Toronto-Dominion Bank (TSX:TD) Stock Really Make You Rich?

Description

Investors see the stock market as a means to generate significant wealth. There are countless stories of investors who've seen their capital grow multi-fold with top-quality stocks such as **Apple**, **Amazon**, and **Netflix**.

All the above-mentioned companies are market leaders with a huge international presence. Their diversified portfolio of products and expanding addressable markets help them grow revenue at an attractive pace.

A robust banking system, on the other hand, has historically been viewed as a basic need of a well-functioning economy. Canadian banks have generated massive wealth for investors due to their strong fundamentals and growing market presence.

Here I try to analyze if one of Canada's banking giants, the **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), is a solid bet for investors in the upcoming decade.

Toronto-Dominion Bank has a market cap of $108.6 billion

Toronto-Dominion Bank is the second-largest Canadian bank in terms of market cap, at $108.6 billion. It is the sixth-largest bank in North America in terms of total assets and market cap.

Like most large Canadian banks, TD has three primary business segments, including Canadian retail, U.S. retail, and wholesale banking. With 2,308 retail locations in North America and 15 TD Securities locations, it has a well-diversified network.

Toronto-Dominion bank has a network of 1,220 stores and 2,778 ATMs in the United States, which is the world's largest economy. It operates in four of the 10 largest metropolitan areas and seven of the 10 wealthiest states. It currently has access to 110 million people south of the border and is looking to expand its wholesale business there as well.

In Canada, it has over 1,000 branches and 3,500 ATMs. TD is consistently rated as a top player in the retail banking space and is one of the top two players in the investment banking space here.

Focus on increasing shareholder returns

Toronto-Dominion Bank has increased its earnings from $7.88 billion in 2014 to $11.68 billion in 2019. It has targeted long-term adjusted earnings growth between 7% and 10%. Its dividend per share has increased from $0.46 in 2000 to $3.01 in 2020, an annual growth rate of 10%.

TD stock is currently trading at $60 which is 23% below its 52-week high. This pullback has increased the stock's forward yield to a tasty 5%. This means a $10,000 investment in TD bank will generate $500 in annual dividend payments.

In the fiscal first quarter of 2020 (ended in January), TD managed to increase revenue by 6% and adjusted earnings per share by 6%, despite a 5% rise in expenses.

What next for Toronto-Dominion Bank investors?

TD has managed to gain over 13% from its 52-week low but investors will remain concerned over the impact of the COVID-19 pandemic, recession fears, and plunging oil prices. This will not only result in lower corporate demand but also increase the risk of default.

All said and done, TD is still one of the top dividend stocks to buy for Canadians. Toronto-Dominion Bank will not increase your investment at an exponential rate like growth stocks but its low payout ratio of below 45% makes a dividend cut unlikely.

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