



CRA 2020: 1 Dividend Beast to Add to Your TFSA

Description

The final tax-filing deadline is fast approaching for many Canadians. Earlier this month, I'd discussed three ways citizens can [save big on taxes in 2020](#). Today, I want to expand on investing in a Tax-Free Savings Account (TFSA). Not only is the TFSA a fantastic vehicle for growth, but it can also provide attractive tax-free income in the long term. Today, I want to look at why Canadian banks have been battered and why one stock in this sector is worth adding.

TFSA investors: How COVID-19 has changed everything

At this point, it is safe to say that the COVID-19 pandemic has been one of the most significant developments of the 21st century. The pandemic spurred on an unprecedented global response. Many countries have pursued lockdowns, which have had a devastating impact on the economy. Unsurprisingly, this has negatively impacted Canada's top banks.

Historically, bank stocks have been attractive in large part due to their diversification. In this case, their broad exposure to all sectors of the economy has been a hindrance. Bank segments from personal and commercial banking to insurance, wealth management, and capital markets [have taken a hit](#). This does not mean that TFSA investors should avoid them entirely.

One regional bank stock to consider

Canadian Western Bank ([TSX:CWB](#)) is a regional bank that primarily operates in Western Canada. Its shares have dropped 35% over the past three months as of close on May 8. The stock is down 25% year over year. Canadian Western offers nice value and a strong dividend, which should pique the interest of TFSA investors right now.

The bank looked strong after releasing its first-quarter 2020 results in late February. Adjusted earnings per share were up 4% year over year to \$0.83, and net income rose 8% to \$72 million. Its quarter was powered by strong loan growth and an increase in branch-raised deposits. Canadian Western was also set to open its first full-service branch in Mississauga as it pursues an Eastern expansion.

Investors can expect to see Canadian Western's second-quarter results on May 29. Its strong presence in Alberta is notable, as we consider the negative impact of the COVID-19 pandemic. Alberta is already loosening lockdown restrictions. Businesses in Alberta may experience a faster return to normalcy than in Ontario, which has been hesitant to give a concrete timeline for its own re-opening.

Why this stock is worth buying today

Canadian Western Bank stock last possessed a favourable price-to-earnings ratio of 6.7 and a price-to-book value of 0.7. Shares are in fantastic value territory compared to its industry peers. Moreover, there is a good reason to hold for investors on the hunt for income. The stock last paid out a quarterly dividend of \$0.29 per share. This represents a strong 5.5% yield. Canadian Western boasts an excellent balance sheet. This pullback has hurt Canadian banks, but it may also represent a historic buy-low opportunity for investors looking long term. Canadian Western Bank is one of my top picks to scoop up in May.

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1. TSX:CWB (Canadian Western Bank)

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