TFSA Investors: 1 Stock to Buy With $6,000

Description

There's no doubt that the stock market is currently experiencing volatility. With so much uncertainty in economies around the globe, it's easy to see why stocks are struggling to settle. However, now is still a fine time for Tax-Free Savings (TFSA) investors to invest for the long term.

Given that most stocks have been beat up badly, there are now some top dividend stocks offering out-sized yields. The idea is for TFSA investors to pick solid dividend superstars to invest in — those that stand a great chance of withstanding economic pressures.

Over the long run, buying these dividend heavyweights at discounted prices will make for massive total returns. Not only can you capitalise on larger than average yields at the moment, but you can also lock in some relatively solid upside in the unit share price.

Today, we'll look at one such **TSX** stock that TFSA investors can comfortably rely on for the long term.

TFSA investors can bank on this stock

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of the major banks in Canada. It offers banking products and services to customers in both the U.S. and Canada.

TD has one of the best track records among TSX stocks when it comes to maintaining and growing its dividend. Investors have long been able to rely on TD's consistent dividend payments.

Even during the 2008 financial crisis, TD held its dividend intact. In the end, it's this unwavering commitment to dividends that makes the major Canadian bank stocks like TD such attractive investments.

Compared to its peers, TD has some attractive qualities for TFSA investors. For one thing, it has less exposure to the domestic housing market than **CIBC** while also having less exposure to oil and gas than **RBC**.

Its diverse stream of cash flows helps shield it against potential downturns in any particular sector of the economy. You don't really have to be placing a "bet" on any part of the economy to invest with TD.

The power of the dividend

Plus, TD's dividend offers investors some serious total return potential over the long run. Consider this example for a TFSA investor with $6,000 to invest in TD.

Assuming a growth rate of 4% in both the share price and dividend yield, and that the dividends are re-invested, an investor could turn $6,000 into nearly $36,000 in just 20 years with TD's stock.

This is because TD's dividend yield currently stands at a whopping 5.62%. Contrast this with the five-year average yield of 3.61%, and it's clear to see TD is offering a big yield.

Considering its P/E ratio is roughly in line with the trailing figure, investors are able to pick up TD at decent value with a larger-than-average yield today.

TFSA investor strategy

Of course, TD and its peers face some strong headwinds in the short term. But, TD in particular is well-positioned financially to weather the storm and maintain its strong performance and dividend.

If you're a long-term TFSA investor, short-term peaks and troughs in price are not of great importance to you anyway.

Locking in TD stock with such a large yield and at a somewhat solid valuation should be more than palatable.

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