



TD Bank (TSX:TD): You Won't Believe How Good This Dividend Stock Has Been

Description

An investment made 20 years ago in **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) has been pretty darn successful.

TD Bank shares were trading at a split-adjusted value of just over \$18 each back in 2000. These days, the stock is a hair under \$62. That alone is a nice result.

But it gets better. Canada's second-largest bank also paid generous dividends the whole time. It increased its payout on an annual basis for most of the last 20 years, only pausing dividend growth during times of economic weakness. The company may also pause dividend growth in 2020 and 2021, but investors can be confident this excellent operator will continue dividend growth as soon as the COVID recession is behind us.

Put it all together, and investors who purchased TD Bank shares back in June 2000 would have an investment that compounded at a rate of 9.82% annually, assuming all dividends were reinvested. That's enough to turn an original \$10,000 investment into something worth \$65,174. That's an excellent outcome, and I doubt many long-term TD Bank shareholders regret their decision.

Although nobody can promise TD's next 20 years will be as successful as its last 20, I still think the stock has a lot of potential here. It can easily expand further into the United States or other nations. It can also continue to grow here in Canada, either by taking market share from its competitors or making acquisitions into niche parts of the financial services market. These moves will translate into more dividend growth, which is the main reason many TD shareholders stick around.

But I'm not sure many investors really grasp how powerful that dividend growth is. Let's take a closer look at that portion of TD Bank's long-term returns. I think you'll be pleasantly surprised.

The power of TD Bank's dividend

Back in the year 2000, TD paid a split-adjusted quarterly [dividend](#) of \$0.105 per share. It was hiked once that year and then again the year after. The payout remained at \$0.14 per share each quarter until 2003. Remember, that was a period of economic weakness, so it's not that surprising TD Bank

made that decision.

Dividend growth then resumed with a vengeance. TD raised the payout each year from 2003 to 2008, more than doubling the payout to \$0.305 per share on a quarterly basis.

After keeping the dividend steady through the Great Recession, TD resumed dividend raises in 2011. The first raises were slight, going from \$0.305 to \$0.33 to \$0.34 per share. Then the economy improved, and the increases became more aggressive.

Fast forward a few years, and TD's payout currently sits at \$0.79 per share on a quarterly basis. That's nearly eight times higher than the original payout back in 2000.

It also translates into one impressive yield on cost for investors who have been in this stock for a long time. Remember, shares traded at \$18.73 each back in June, 2000. The current annual dividend is \$3.16 per share. That means an investor who'd first purchased TD Bank shares 20 years ago is sitting on an impressive yield on cost of 16.8%.

That's a pretty nice result over just 20 years.

The bottom line

Naysayers will doubt this exercise, giving excuses like, "yield on cost doesn't matter." After all, it all depends on whether TD can continue its dividend growth going forward.

But you'd be silly to bet against TD Bank at this point. [The company](#) consistently does an excellent job, has a solid efficiency ratio, and has one of the best returns on equity among its peers. It has a top market share in just about every important banking category. And it still has loads of international growth potential.

You missed out on the chance to lock in a very impressive yield on cost 20 years ago. But it's not all bad news. You have a wonderful opportunity to make an investment in a great company today.

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