



TFSA Investors: Why You'd Be Smart to Buy This Top Dividend Stock Now

Description

The post-pandemic environment is becoming quite challenging for investors. While markets have staged a quick rebound since hitting the March low, their journey upward has been quite volatile.

If you're a [TFSA investor](#) looking to buy and hold stocks over the long run, you can still make money in this uncertain environment. The challenge for you is to identify stocks that will be able to ride through this tough period successfully.

You can find such stocks in some of the most boring areas of the market. Banks, insurance companies, telecoms, and power utilities are among the defensive stocks that you can consider.

TD Bank: A top TFSA stock

If you're on a hunt for such stocks, then I strongly recommend adding some of Canada's largest lenders in your TFSA portfolio. Canadian banks are [consistent in rewarding investors](#) through steadily growing dividends.

Their main strength comes from their strong local presence, ability to grow south of the border, and that they operate in a regulatory environment that's among the best in the developed world.

And among the Canadian lenders, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is one of my top recommendations for TFSA investors. In my view, TD's balance sheet strength and its quality of assets make the lender a relatively safe stock to buy when the economy is in a recession after the pandemic.

No doubt, TD will suffer when millions are losing their jobs and businesses are closing down. TD's net income for the three-month period ending April 30 sank 52% year over year to \$1.5 billion. On an adjusted basis, TD earned \$0.85 per share. Analysts, on average, expected \$0.88 in per-share profit.

Position of strength

But that weakness offers a good entry point to long-term TFSA investors, as the lender will rebound quickly once the economies reopen and the pandemic is contained.

“TD entered this operating environment from a position of strength, with a high-quality balance sheet and strong liquidity and capital positions,” CEO Bharat Masrani said in a press release, after the April earnings release.

Another factor that makes me confident to recommend TD for your TFSA portfolio is that the lender has an excellent payout policy. It distributes between 40% and 50% of income in dividends each year.

After a 7% increase in its payout this year, income investors in TD stock now earn a \$0.79-a-share quarterly dividend, which translates into a 5.18% annual yield.

The bank is forecast to grow its dividend payout between 7% and 10% each year going forward — an impressive growth rate at a time when other assets aren’t offering good returns.

Bottom line

TD is a great stock to hold for the next 10, 20, or even 30 years inside your TFSA. It will slowly add to your wealth, and you will have a chance to grow your savings by unlocking the powerful process of compounding.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/09/27

Date Created

2020/06/26

Author

hanwar

default watermark

default watermark