



## RRSP Investors: Should You Buy National Bank (TSX:NA) or Bank of Montreal (TSX:BMO)?

### Description

The retirement plans of many Canadians have been thrown into flux due to the COVID-19 pandemic. Moreover, previously reliable investments like [Canadian bank stocks](#) are passing through some uncertainty. RRSP investors should be on the hunt for discounts on the TSX right now. Valuations are high, but investors gearing up for retirement can utilize dollar-cost averaging to mitigate the risks. Today, I want to look at two bank stocks to evaluate for RRSP investors.

Canadian bank stocks may not be the most exciting option, but these equities offer a nice balance of capital growth and income. At least, this has been the case over the past several decades. Banks are facing challenges due to the COVID-19 pandemic, but the reopening of the economy should produce better earnings in the final two quarters of 2020.

### RRSP investors: Is National Bank a good bet?

**National Bank** ([TSX:NA](#)) is the smallest of the Big Six Canadian banks, but it is a massive financial institution in the [province of Quebec](#). Its shares have dropped 11% in 2020 as of close on July 28. However, the stock is up 12% over the past three months.

In the second quarter of 2020, the bank reported net income of \$379 million — down 32% from the prior year. Diluted earnings per share fell 33% to \$1.01. Like its peers, National Bank massively boosted its provisions for credit losses in response to the risks presented by the COVID-19 outbreak. Regardless, National Bank still possesses a fantastic balance sheet, as we look ahead to the final two quarters of the fiscal year.

RRSP investors seeking value have a reason to be bullish on this bank stock. National Bank last possessed a price-to-earnings (P/E) ratio of 10 and a price-to-book (P/B) value of 1.6. This puts it in attractive value territory. Moreover, National Bank maintained its quarterly dividend of \$0.71 per share, representing a solid 4.5% yield.

## The case for Bank of Montreal

The second stock I want to look at for RRSP investors is also a giant in Quebec. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) stock has plunged 24% in 2020 so far. The bank released its Q2 2020 results on May 27. Predictably, it was a bloodbath for BMO, as adjusted net income fell to \$715 million compared to \$1.52 billion in the prior year. In the year-to-date period, provisions for credit losses ballooned to \$1.46 billion over \$313 million in the first two quarters of 2019.

Like its Quebec-based peer, BMO also boasts an excellent balance sheet. Moreover, it maintained its quarterly dividend of \$1.06 per share. This represents a strong 5.7% yield. Shares of BMO last had a very favourable P/E ratio of 9.8 and a P/B value of 0.9. BMO has a larger footprint south of the border, which means it may be more reliant on a rebound south of the border going forward.

## Verdict for RRSP investors

Today, I like BMO stock for its attractive value and dividend that it offers to RRSP investors. The favourable gap in its income yield is enough for me to put BMO over the line in late July.

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1. Bank Stocks
2. Investing

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