Toronto-Dominion Bank (TSX:TD): Is the 4.2% Dividend Safe?

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock has recovered nicely from its March lows of last year, cementing itself as one of Canada's top bank stocks.

While the bank did feel the pandemic's full brunt, depicted by earnings falling dramatically, the drop was not as bad as initially feared. Likewise, the bank ended 2020 in a solid financial position backed by exemplary capital ratios. This could mean that its lucrative 4.2% dividend yield is just as secure as its high-interest savings accounts.

If you're an income-seeking investor, here's a look at some of the reasons TD Bank stock should be on your radar.

Economies of scale

Being the sixth-largest bank in North America affirms TD's status in the financial sector and means it is well positioned to profit from economies of scale. The sheer size accords the bank geographic reach, allowing it to remain diversified with access to countless markets with plenty of opportunities for growth.

TD Bank remains well positioned to leverage its leading position in the banking industry amid the challenging macro environment fuelled by the COVID-19 pandemic. Canada's solid capital regulations, which the bank has met, mean it is well positioned to navigate the current crisis.

TD Bank finished 2020 on a roll with earnings topping estimates. Net income rose to $5.1 billion, up from $2.9 billion the prior year. The bank also blew expectations by reporting adjusted earnings per share of $1.60 in its latest quarter.

Generous dividend yield

A generous 4.3% dividend yield affirms the bank's credibility when it comes to returning value to shareholders. Since 1995, TD Bank has delivered an 11% annualized dividend-growth rate. Its dividend is more than double a foreign industry's average yield of 2.075%. It's also far higher than the **S&P 500's**

1.48% average yield.

The most noteworthy metric here is the payout ratio. TD Bank stock offers a payout of 48%, which means less than half of earnings are delivered back to shareholders. That means there's a buffer between dividend commitments and cash flow, making TD Bank stock a secure source of steady income.

TD Bank stock has already started the year on a roll, rallying by more than 3.5%. It remains well positioned to continue rallying on an improved Canadian economy and a U.S. economy that is bouncing from the shackles of COVID-19. Investors can probably expect steady capital appreciation and dividend growth for years to come.

Bottom line

Canada's banking sector is remarkably robust. The top five banks dominate lending in the country and are well diversified internationally. TD Bank seems to strike the perfect balance between conservative cash management and generous shareholder rewards.

The bank currently offers a dividend yield that outpaces its own savings accounts. In fact, it also outpaces the banking sector across North America. The low dividend-payout ratio is a green flag. Meanwhile, the upswing in the economy should boost TD Bank's prospects. Stock holders can rely on this dividend for the foreseeable future.

CATEGORY

1. 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. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Date
2025/09/11
Date Created
2021/02/06

Author
vraisinghani