TFSA Investing: 2 Bank Stocks to Buy

Description

The Tax-Free Savings Account (TFSA) is a great investment vehicle for Canadians. One very effective style of TFSA investing involves targeting long-term dividend growth.

This method allows investors to take advantage of both compounding and tax savings in tandem over time. As such, many investors target **TSX** giants with solid dividends and growth prospects.

Luckily for Canadian investors, the TSX is home to many solid blue-chip names with attractive dividends. So, it's more important for investors to pick the names that are right for them.

Today, we'll look at two TSX bank stocks that are ideal for TFSA investing. Canadians looking to add to their TFSA portfolio should be interested in these names.

Scotiabank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a major Canadian bank stock with a strong international presence to go along with its Canadian roots. Also, it's the third-largest bank in Canada by market capitalization.

Now, it's no secret that 2020 was a tough year for practically all stocks. While BNS was no exception, it's now back to trading at late 2019 and early 2020 prices.

Of course, some may argue the best time to buy was when the stock was thought to be on sale in the spring and summer of 2020. However, for long-term TFSA investing, it's still a great time to pick up shares of BNS.

This is a rock-solid stock with healthy financials and plenty of liquidity support. Its payout ratio never approached levels even remotely dangerous, even through a rough and bumpy 2020.

With its stability and various avenues for growth, especially internationally, investors can be excited about the prospects for BNS moving forward. As of this writing, BNS is trading at $78.65 and yielding

4.58%.

While it’s not the most eye-popping yield on the market, it still makes BNS a solid choice for TFSA investing. Over time, and with compounding taken into account, BNS has plenty of long-term total return potential.

BMO

Bank of Montreal (TSX:BMO)(NYSE:BMO) is another massive Canadian bank, sitting just behind BNS in terms of market capitalization. It has a stronger focus on US development compared to many of its peers.

When it comes to dividend stability, it’s practically impossible to do better than BMO. That’s because this banking giant has paid a dividend every year since 1829, and offered growing dividends for the majority of that time.

Like with BNS, BMO has a rock-solid foundation and a wide moat of revenue that protect it against many economic downsides. It’s also shown a lot of promise with its US division and investors can be excited about that moving forward.

As of this writing, BMO is trading at $111.86 and yielding 3.79%. This yield is about in line with what BMO typically offers historically.

So, those looking at long-term TFSA investing can get into BMO at a fairly attractive entry point. Over time, this banking star can generate massive total returns once you account for compounding and tax savings.

TFSA investing strategy

Both BNS and BMO can fit perfectly into a TFSA investing strategy. They both offer stability and growth at attractive prices for the long haul.

If you’re looking to add some banking prowess to your TFSA plan, be sure to give these TSX stars a good look.

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