2 Top Bank Stocks to Buy and Hold for 20 Years

Description

Finance is the largest sector in the **TSX** by market capitalization, and four out of six banks are among the 10 largest stocks currently trading in the market. But it's not just the sheer size of Canadian banking stocks that makes them attractive, nor the fact that most of them are too big to fail institutions. Bank stocks in Canada pay generous dividends and many have a decent capital appreciation potential.

If your primary objectives are dividends and long-term holding, you are unlikely to go wrong with any of the Big Six. But there are two bank stocks that might deserve to be on your radar first.

Oldest dividend-paying bank in the country

The **Bank of Montreal** (TSX:BMO)(NYSE:BMO) has been paying dividends since 1829 and is the oldest dividend payer in the banking industry. BMO is famous for its wide variety of financial products, many of which are investor-oriented. Unlike more U.S.-facing Canadian banks, the bulk of BMO's revenue is generated from the country (58%) and about one-third from the U.S.

The bank recently announced its second-quarter results, which have been quite encouraging. The bank grew its net income, revenue, EPS, and ROE quite significantly. The strong returns might add to the growth momentum that allowed the BMO stock to grow over 83% in the last 12 months. The yield might not be as generous compared to others (3.3%), but if it continues to grow at its current pace, the capital appreciation might balance the overall returns.

And if you want to consider its long-term growth prospects, its 10-year compound annual growth rate (CAGR) is also impressive at 12.1%.

The second-largest bank in Canada

Toronto-Dominion (TSX:TD)(NYSE:TD) is the second-largest bank in the country and the fifth-largest bank in North America. It has a significant presence globally, with about 26.5 million customers worldwide and 2,300+ retail locations in North America alone. The bank is also making impressive strides in the online banking market, which is the eventual future of the industry; it had over 14 million active digital customers by the end of 2020.

In the second quarter of 2021, TD's net income grew by 12% quarter over quarter. While the U.S. retail business performed better than Canadian retail, the digital adoption rate was significantly better in the country compared to what it was across the border. The bank continues to be a solid investment and is likely to be a great holding for the next two decades as well.

Its 3.6% yield and 10-year CAGR of 11.8% are compelling enough reasons to consider this bank for two decades.

Foolish takeaway

Both BMO and TD are buy-and-forget stocks that you can easily hold on to for two decades or more. If you want to maximize your passive income potential through dividends, you may consider opting for the dividend re-investment.

That will keep growing your stake in the two banks. When you are ready to cash in your dividends, you will likely have a more substantial payout. It will also be augmented by regular dividend growth as they are both Dividend Aristocrats.

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