



## TFSA Investors: 1 Top TSX Stock to Buy Now and Own for 30 Years

### Description

TFSA investors continue to seek out top TSX stocks at reasonable prices to add to their self-directed [online brokerage](#) accounts.

The overall market looks expensive, but some great stocks are still attractive right now. Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to see why it might be an interesting stock to buy for your TFSA today.

### Bank of Nova Scotia earnings

Bank of Nova Scotia is Canada's third-largest bank with a current [market capitalization](#) near \$95 billion. The stock is up a solid 15% in 2021, but that's about half the gain of some of its Canadian banking peers.

Bank of Nova Scotia reported good fiscal Q3 2021 results. Adjusted net income came in at \$2.56 billion for the three months. That's not bad considering the uncertain economic conditions of the pandemic. Return on equity (ROE) was 15.1% in the quarter, so Bank of Nova Scotia continues to perform well on that metric. In normal economic conditions, the U.S. banks report ROE of around 12%. Big European banks would love to hit an ROE of 10%.

Bank of Nova Scotia is sitting on more cash than it likely needs to cover pandemic-induced loan losses. The CET1 ratio was 12.1% at the end of the latest fiscal quarter. That's well above the 9% required. With the worst of the economic rout now in the rearview mirror, Bank of Nova Scotia is setting aside less funds to cover potential loan losses and will start to look for ways to deploy the excess cash.

Investors should see a generous dividend increase as soon as the banks get permission to restart payout hikes. In addition, Bank of Nova Scotia recently said it is considering acquisitions in the United States.

## Risks

The reason for the weaker performance could be connected to investor concerns about Bank of Nova Scotia's international business. Bank of Nova Scotia has operations in Mexico, Peru, Chile, and Colombia. These four countries are members of the Pacific Alliance trade bloc that was set up to enable to free movement of capital, goods, and labour.

The pandemic hit Latin America hard. In addition, political turbulence continues to make investors nervous. Near-term economic volatility should be expected, but the long-term outlook for the Pacific Alliance market is attractive. The four countries are home to more than 230 million people. Banking penetration is very low in these markets and a growing middle class should drive strong long-term growth for loans and investment products, as well as increased trade. Bank of Nova Scotia's position in all four countries should be a competitive advantage for capturing new commercial business.

## Should you buy Bank of Nova Scotia stock now?

The stock isn't as cheap as it was a year ago, but the current share price near \$78.50 looks reasonable and provides a 4.6% dividend yield. It wouldn't be a surprise to see the next dividend increase come in at double digits. Bank of Nova Scotia traded as high as \$82 earlier this year, so you can pick up the stock on a bit of a pullback.

If you have some cash to put to work in a self-directed TFSA, I think Bank of Nova Scotia deserves to be on your radar today.

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