



Here's a Well-Diversified Top Stock for Income Investors

Description

How diversified is your portfolio? Income-seeking investors have [plenty of options to choose from](#) on the market. One such option, particularly for those looking for a well-diversified top stock, is Canada's big banks.

The banks have something to offer all investors, but **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) in particular has a unique appeal that its peers cannot yet match.

What does TD offer that its peers can't?

Canada's big banks are very similar. In some ways, they are so similar that it becomes hard to spot the differentiating factors to appeal to investors. In the case of TD, that differentiating factor comes down to growth.

Like most of its peers, TD turned to the U.S. market for its primary focus of international expansion. Where TD differed from its peers is the approach it made to that expansion.

In the years following the Great Recession, TD acquired several smaller banks along the U.S. east coast. Those banks were then rebranded and stitched together into a single network under the name TD Bank.

Today, TD has become one of the 10 largest banks in the United States. The bank has over 1,100 branches in a network that now stretches from Maine to Florida. That puts TD well ahead of its Canadian big bank peers in terms of U.S. market penetration.

If that weren't enough, TD is also the largest shareholder in the **Schwab Corporation**, one of the largest securities brokerage companies in the U.S.

In other words, TD is a well-diversified top stock with massive growth potential.

What about income?

Just when you thought TD couldn't get any better, let's take a moment to talk about dividends.

TD offers investors a quarterly dividend. That payout currently works out to a yield of 3.38%, which isn't the highest return among Canada's big banks. But, as with all things TD, there's major upside waiting for investors.

At the onset of the pandemic, Canada's banks were barred from hiking their dividends. Instead of increasing payouts, the banks were setting aside cash for loss provisions stemming from the pandemic.

Fortunately, it didn't get as bad (at least for the banks) as many had speculated. Government-assistance programs provided liquidity to businesses and individuals to prevent a worst-case scenario from occurring.

Now that many of those concerns have been alleviated, banks are once again free to hike dividends. The only difference is that banks are now sitting on a mountain of cash. For investors, this means that we could see a dividend hike announcement coming later this month. Additionally, if the banks are looking to return to prior payout levels, that upcoming hike could be north of 20%.

Finally, keep in mind that TD Bank has been paying out dividends to investors for well over a century, and the bank will be eager to return to that prior cadence.

This factor alone furthers the view that TD is a well-diversified top stock for income investors.

Final thoughts on this well-diversified top stock option

There's no such thing as a stock that doesn't have at least some risk. In the case of Canada's big banks, that risk is very often minimal. That's thanks to the regulated nature of the segment, particularly when compared to the riskier but higher-growth U.S. market.

The best of both worlds — a well-regulated baseline with superb growth potential is what TD Bank can offer investors. Not only that, but the bank also offers a superb and growing dividend, which should [appeal to nearly every investor](#).

In short, buy it, hold it, and watch it (and your income stream) grow.

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