



Looking for TFSA Anchors? 3 Big Banks Are in Expansion Mode

Description

Canada's Big Six banks had their sights on expanding since the end of Q2 fiscal 2021 (quarter ended April 30, 2021). The elite group raised their provision for credit losses (PCLs) to enormous levels in anticipation of a pandemic-induced financial crisis.

Because they didn't need to use the shock absorbers, the [big banks](#) amassed around \$40.5 billion in excess capital. In late November and early December 2021, the top lenders started deploying their extra cash. All of them announced dividend increases and share buybacks.

For 2022, three of the six banks have decided to make their surplus funds productive. [Tax-Free Savings Account](#) (TFSA) investors should welcome the news. If you're looking for TFSA anchors, consider using your limits or available contributions to purchase shares of these big banks.

New U.S. geographies

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) expects to complete a [mega-merger](#) in one year. Canada's oldest and fourth-largest bank announced the acquisition of Bank of the West. The \$98.64 billion bank raised \$3.1 billion in one week after selling about 20.8 million of its common shares.

BMO will use the gross proceeds plus excess capital for the US\$16.3 billion transaction. Bank of the West, a subsidiary of BNP Paribas, has a strong presence in the affluent California market in the United States. The acquisition should also allow BMO to expand to major new geographies across the border.

Darryl White, CEO of BMO Financial Group, said the bank is better positioned to take the next step in its growth strategy. Regarding dividends, the dividend pioneer announced the highest percentage increase (25%) in payouts. At \$146.91 per share, the yield is 3.63%.

Compelling acquisition

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) was the most vocal among the Big Six about M&As. Canada's second-largest financial institution will soon be the sixth-largest bank in the United States. The \$182.25 billion bank found an important future growth opportunity in First Horizon.

Bharat Masrani, TD Group's president and CEO, said, "First Horizon is a great bank and a terrific strategic fit for TD. It provides TD with immediate presence and scale in highly attractive adjacent markets in the U.S. with significant opportunity for future growth across the Southeast."

The US\$13.4 billion all-cash transaction to acquire the premier regional bank will enable TD to accelerate its long-term growth strategy in the United States. Also, the Canadian bank expects a 10% fully synergized return on invested capital. At \$100.49 per share, TD pays a 3.58% dividend.

Transformative purchase

The TSX's largest publicly listed company, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), is also in expansion mode. The \$195.82 billion bank will soon have a platform to transform its wealth management business further. While the deal to acquire Brewin Dolphin is only \$2.6 billion, the British wealth management firm has a strong presence in key growth markets.

David Thomas, CEO of RBC Capital Markets Europe, describes the deal as a transformative acquisition for RBC Wealth Management. The banking giant will cement its market-leading position in the U.K., the Channel Islands, and Europe. If you invest today (\$138.23 per share), the dividend offer is 3.50%.

Tax-free income for decades

The three big banks in expansion mode are excellent anchors in a TFSA. Furthermore, their dividend track records of more than 100 years assure TFSA investors of decades-long income streams.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date

2025/07/21

Date Created

2022/04/06

Author

cliew

default watermark

default watermark