TD Stock TFSA Investors Could've Had $225K in the Last 13 Years

Description

It's impossible to predict the future. We all know that. But when it comes to investing, looking to past performance can be a strong way to see how a company may perform in the future.

This can be especially beneficial when looking for long-term options for your Tax-Free Savings Account (TFSA). In the last 13 years, Motley Fool investors have had the opportunity to invest between $5,000 and $10,000 annually, depending on the year.

There's one stock I'd still call a catch, even today.

TD stock

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has come a long way over the last 13 years. But it can be hard to look at that during the last few months of performance. Since 2009, TD stock has grown 324%. That's 324% of growth in your TFSA if you had invested when the TFSA opened back then.

What's more, the company is a strong option during today's market volatility. It's one of the Big Six banks, with credit loan losses allowing for it to recover within a year during downturns. It happened during the March 2020 crash and the Great Recession … you get the picture.

Furthermore, it offers value. Today, TD stock trades at just 11.57 times earnings and 1.75 times book value. You can pick up a 3.85% dividend yield as well, one that you could reinvest back into the stock for years to come.

Why would you do that? Let's get into that next.

Past performance

Let's say you're a Motley Fool investor that picked up TD stock on Jan. 1, 2009. That's the beginning of when Canadians could start contributing to their TFSA. You invested the $5,000 allotment and decided you would continue to add $5,000 each year to TD stock.

Over 13 years, as I said, TD stock grew by 324%. That's a compound annual growth rate (CAGR) of 11.78%. That outweighs even today's high inflation rates. Furthermore, the company continued to raise its dividend during that time from $1.22 annually to $3.56 annually. That's a CAGR of 8.59% for its dividend.

Let's say a Motley Fool investor then reinvested dividend income when it came in each quarter. Starting out, that would be $281.82 worth of dividends annually. Today, that would get you $193 annually.

By adding $5,000 each year and reinvesting dividends, by today, you would have $225,605 in your portfolio!

Foolish takeaway

Now, this is, of course, just an example to show you how consistent investing and reinvesting dividends can create a strong portfolio. If you were to do the same thing today, investing $5,000 each year over the next 13 years, you may not get as great results. That's because the share price has grown so high. In today's numbers, 13 years from now, you could have a portfolio worth $201,403 from the same growth.

But even more than that, TD stock is a strong option if you want to get out of a volatile market relatively unscathed. And that's what Motley Fool investors should be seeking right now — especially at these value levels.

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