A Different Bank for a Comfortable Retirement

Description

Canada's big banks are among the best long-term investments that are available on the market. This is true for a variety of reasons, ranging from the solid revenue they generate to the handsome dividends that they offer. This makes them excellent options to help make for a comfortable retirement. But which of the big banks should you invest in for your retirement?

Here's one big bank that is a little different from its peers and therefore a worthy candidate for your long-term portfolio.

A different bank with a different approach to growth

The bank that investors should consider is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). Scotiabank, like its big bank peers, operates an established domestic branch network. That domestic arm continues to generate handsome earnings for the bank.

Coincidentally, Scotiabank reported results for the most recent quarter earlier today. In that quarter, the bank reported a net income of $2,747 million, or $2.16 per share. In the same period last year, Scotiabank earned $2,456 million, or $1.89 per share.

The Canadian banking domestic segment accounted for $1,179 million of those earnings. This was a noted improvement over the $927 million reported in the same period last year.

Turning to international banking, this is where Scotiabank differs from its peers. Instead of opting to expand to the U.S market, Scotiabank turned further south. Specifically, the bank expanded into the markets of Mexico, Columbia, Chile, and Peru.

Together, those four nations are part of a trade bloc known as the Pacific Alliance. The Alliance is tasked with improving trade between its members and eliminating tariffs. With Scotiabank operating a large and visible branch network within those nations, it became a preferred lender in the region.

That preferential status has helped the bank see some incredible growth in the region. By way of example, in the most recent quarter, net income from the segment came in at $605 million. This represents a $185 million improvement over the same period last year. That growth potential can go a long way to reaching a comfortable retirement.

That growth is expected to continue throughout that region for years. This serves to increase the overall diversification of the bank while helping to offset any potential slowdown from the domestic market. This is an important differentiator over Scotiabank’s big bank peers that opted to expand to the U.S. market.

There’s more than growth to love, too

Generating a solid revenue stream from a previously untapped market is a huge advantage to Scotiabank. That solid growth also helps investors in another way — dividends.

Canada’s big banks are well known for providing well-covered handsome dividends. In the case of Scotiabank, the bank has been providing that dividend without fail for well over a century.

Adding to that appeal is an established precedent of the bank to provide handsome annual upticks to that dividend. That factor alone can help you attain a comfortable retirement.

The current yield on the dividend works out to a solid 4.91%, which is higher than its peers. To put that earnings potential into some context, a $35,000 investment in Scotiabank will generate an income of just over $1,718 during the first year.

Keep in mind that reinvesting those dividends until you need to draw on that income in the future is a great way to let your investment work for you. In other words, the bank is a superb pick to buy now and forget about for a decade.

Your comfortable retirement awaits

While no investment is without risk, Bank of Nova Scotia is an established player in a well-regulated and mature market. The bank’s dividend is well covered, and investments in growth will help propel the bank to new highs.

In my opinion, Bank of Nova Scotia should be a core holding as part of every well-diversified portfolio.

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