



## Retirement Wealth: How to Turn a \$15,000 TFSA or RRSP Into \$279,000

### Description

As prices soar due to high inflation, Canadian savers are looking for ways to boost returns on their retirement savings. One popular [investing strategy](#) for building Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) wealth involves buying great [TSX](#) dividend stocks and using the distributions to acquire new shares.

The [market pullback](#) is giving investors an opportunity to buy some of Canada's top dividend stocks at [undervalued](#) prices.

### TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank with a current [market capitalization](#) of about \$153 billion. The stock trades near \$84 per share at the time of writing compared to \$109 earlier this year. The big drop is due to rising fears that a deep recession could be on the way next year.

Is the fear justified?

Soaring inflation is already hitting households hard. The added pressure of rising interest rates that are designed to get inflation under control will inevitably drive up loan losses as people and businesses run out of cash to pay all the bills. Economists broadly expect a recession, if it arrives, to be mild and short. However, a more serious economic contraction is certainly possible, and that could cause a spike in unemployment, which would lead to higher loan and mortgage defaults.

Where we are headed is anyone's guess, but the market seems to be pricing in the uglier scenario when it comes to TD's share price. That might be too negative, based on the general view of economists. TFSA or RRSP investors who are of the opinion a modest recession is on the way might want to consider buying TD stock on the latest pullback.

TD reported solid fiscal Q3 2022 results that indicate the bank is on track to beat the strong 2021 performance. TD generated \$11.36 billion in adjusted net income in the first three quarters of fiscal 2022 compared to \$10.78 billion in the same period last year. Fiscal third-quarter (Q3) adjusted

earnings rose 5.1% year over year to \$3.8 billion.

One thing the market might not realize is that rising interest rates tend to boost net interest margins for the banks and this can go a long way to help offset some of the higher loan losses that the jump in rates will cause.

TD raised its dividend by 13% for fiscal 2022 and another generous payout increase should be on the way for next year. The compound annual dividend-growth rate over the past 25 years is about 11%.

Looking beyond the potential economic turbulence in 2023 and 2024, TD is positioning itself for strong long-term growth by making two strategic acquisitions in the United States. The bank is buying **First Horizon** for US\$13.4 billion in a deal that will make TD one of the top-six banks in the American market. TD already has a large presence along the east coast from Maine to Florida. First Horizon is heavily focused on the southeastern states, so the deal makes sense and will add more than 400 branches to the network.

In another move, TD is spending US\$1.3 billion to buy Cowen, a U.S. investment bank. The deal expands TD's capital markets capabilities and will make the investment banking group much larger.

TD is a good stock to buy right now if you think the market is wrong about how serious a potential recession will be in Canada and the United States in the next couple of years.

## The bottom line on top stocks to buy for total returns

TD stock could certainly move lower in the near term, but the shares look attractive right now for buy-and-hold investors. Any additional downside would provide a chance to buy more shares and average down the investment price. Investors who buy now can get a decent 4.2% yield and wait for the bank sector to rebound.

Buying TD stock on big dips has historically resulted in strong long-term gains. A \$15,000 investment in TD just 25 years ago would be worth about \$279,000 today with the dividends reinvested.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred

6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

## PP NOTIFY USER

1. aswalker
2. kduncombe

## Category

1. Bank Stocks
2. Investing

## Date

2025/06/28

## Date Created

2022/09/01

## Author

aswalker

default watermark

default watermark