



Earn Passive Income for Years With This Dividend Aristocrat

Description

Finding that perfect mix of investments can be a frustrating experience for new investors and take a lot of time. Fortunately, the market gives us plenty of options to consider. Some of these include stocks that can earn passive income for years.

One such option that also pays a juicy [dividend](#) is one of Canada's [big banks](#), **Toronto-Dominion Bank** ([TSX:TD](#)).

Wait ... isn't the market too volatile right now?

One of the first questions that investors may be wondering is why TD right now? Volatility in the market, coupled with rising interest rates that could spill into the housing market can't be too good, can it?

Well, yes ... and no.

Interest rates are rising — rapidly. That's being done in Canada, the U.S., and around the world to tame some of the worst inflation in four decades. And when interest rates rise, the cost of borrowing increases. The hope is that the added cost cools the market and brings down inflation to a more manageable level.

The added cost of borrowing can be a good thing for banks, at least in the short term, as it provides a temporary bump to net interest margins (which compares the interest from loans and mortgages to the outgoing interest paid on savings).

The concern here is that loan-loss provisions can quickly eat into those gains, particularly if the anticipated pullback in 2023 is worse than expected.

Fortunately, TD and, by extension, its big bank peers have fared much better than their U.S.-based peers during market slowdowns. And with the stock already down nearly 10% year to date, some of that negativity is already priced into the stock. In fact, if anything, the stock is priced at a discount with

a price-to-earnings ratio of just 11.14.

That discount also means that prospective investors can start earning a passive income for years to come (more on that juicy dividend in a bit).

TD excels at growth

One of the things that TD has done very well over the years is to execute a well-timed growth plan. In the years following the Great Recession, TD expanded strongly into the U.S. market.

In short, TD acquired several banks and stitched them together into a massive branch network that is now larger than its domestic holdings in Canada. The result today is a network stretching from Maine to Florida.

With the market seemingly heading down into another recession cycle, TD is following through with a similar growth strategy. The bank purchased Memphis-based First Horizon in a deal worth US\$13.4 billion.

Upon completion, the deal will expand TD's operations into several new southeast states with an additional 400 branches. The deal will also bring in a whopping US\$75 billion in deposits. The deal will also solidify TD as one of the top six largest banks in the lucrative U.S. market.

That's an incredible feat considering the bank's small footprint in that market just two decades ago.

Incredibly, that's not the only deal TD has executed recently. The bank is also upgrading its investment banking arm through the addition of U.S.-based Cowen in a US\$1.3 billion deal.

TD will earn passive income for years

One of the main reasons to consider buying TD is its juicy dividend. In fact, the bank has been paying out dividends for nearly two centuries without fail.

Today, that yield works out to a respectable 4.03%, meaning that a \$40,000 investment will earn just over \$1,600 in the first year. Investors not ready to draw on that income can reinvest that income until needed. That will allow that income to grow further.

Perhaps best of all, prospective investors should note that TD has an established precedent of providing generous annual upticks to that dividend. That factor alone makes TD a stellar investment that can earn passive income for years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. 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. dafxentiou
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/12

Date Created

2022/11/14

Author

dafxentiou

default watermark

default watermark