RRSP Investors: Compound Your Wealth With 2 Leading Bank Stocks

Description

The Registered Retirement Savings Plan (RRSP) is a valuable tool for Canadians to plan for retirement. This program was put in place in 1957 to encourage users to save a stipulated amount each year. For those entering retirement, individuals can use this tool to save on taxes over time, with gains from the sale of securities offset by a lower absolute income in retirement.

However, picking the right stocks to invest in today for decades down the road can be difficult. While many investors opt for safe and defensive stocks, there happens to be a wide swath of such securities to choose from.

That said, bank stocks are among the leading options many investors choose. Here are two such companies in the banking sector I think are worth putting in an RRSP for decades to come.

Top bank stocks: TD Bank

Toronto-Dominion Bank (TSX:TD) is one of the largest Canadian banks in terms of market cap and is a highly defensive equity option. From a growth perspective, this is among the best options in North America for investors to choose. The company's growth (organic and via acquisition) has been impressive, as it continues to add to its asset base over time.

Investor attention on TD stock has recently been spurred by the company's deal to buy out First Horizon National (FHN). This will provide an additional $1 billion in accretive earnings annually for the Canadian mega-bank.

The deal is worth $13.4 billion. However, it also comes with several other additional assets. It's estimated that FHN's total assets are worth around $89 billion. Thus, even if these assets shrink slightly, this acquisition was done at a pretty reasonable valuation. I think this acquisition is the latest win for the Canadian bank as it looks towards international growth.

Currently, TD stock provides a dividend yield of 4.3% and is trading at 9.5 times earnings. Thus, TD stock is certainly an attractive option for long-term investors.

Scotiabank

Despite the current bearish market conditions, **Bank of Nova Scotia** (TSX:BNS) is doing pretty well for itself. In fact, Scotiabank has surpassed analyst expectations by crossing the $10 billion net income threshold for the 2022 fiscal year.

With this, Scotiabank has also successfully surpassed its medium-term financial target. Adjusted earnings at the end of the quarter were at $2.6 billion. This puts earnings per share (EPS) at $2.06. Analysts' consensus estimate for Scotiabank's EPS was $2.01. Evidently, from an earnings perspective, this is a bank that's exceeding expectations on most fronts.

Scotiabank is one of the most geographically diverse Canadian banks, with a significant percent of its operations located outside Canada and the U.S. Accordingly, for those seeking diversification, this is a top option for many Canadian investors.

BNS stock is even more attractively valued than TD, with a dividend yield of 6% and a price-to-earnings ratio of only 8.5 times. That said, I think TD's quality combined with Scotiabank's yield and value makes for a strong combination in any RRSP.

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