Passive Income: 3 Bank Stocks for TFSA Wealth

Description

It can be really difficult to look past what's going on right now and think long term. I know it certainly has been for me. I'm a millennial with two kids under five that I need to support. So, thinking long term is super hard.

However, there are benefits to lock up right now, and that's what I'm trying to focus on — especially if I'm looking to create long-term wealth for my Tax-Free Savings Account (TFSA). It comes down to bank stocks.

Why bank stocks?

Bank stocks have the best track record when it comes to making it through a recession. You know how in the Great Recession, we heard about these American banks going under? Yeah, that doesn't happen in Canada. That's because Canadian banks, while they might not make as much money during the good times, prepare for the bad times.

This comes down to conservative, long-term growth supported by provisions for loan losses — loan losses that are coming in *right now*. So, while shares are down with the Big Six banks, it's important to look to the past and see that because of those provisions, each of the banks managed to come out relatively quickly to pre-drop share prices after the end of a recession.

With that in mind, there are three bank stocks I would consider above the rest.

My Big Three bank stocks

If I'm only choosing three bank stocks on the TSX today, it's going to be **Bank of Montreal** (TSX:BMO), **Toronto-Dominion Bank** (TSX:TD), and **Canadian Imperial Bank of Commerce** (TSX:CM). Here's why.

When it comes to growth, BMO stock and TD stock have strong pasts and stellar futures. BMO stock invested in the Bank of the West in the United States, creating a new expansion of revenue in the U.S. to lock up. TD stock has been a top 10 bank down there for years but has also expanded into credit card partnerships, wealth and commercial management, and more, bringing in substantial revenue.

For dividends, the top two have to be CIBC stock and BMO stock. Each provides the highest of the Big Six banks, with both well above 5% as of writing. What's more, they also provide the highest increases of the Big Six, too. That's not to say that TD stock is low, as you can lock in a yield at 4.19%.

But TD stock and CIBC stock have also been expanding when it comes to offerings and provides the lowest share price if you don't have much to spend. TFSA investors can pick them up below $100 per share, unlike other Big Six banks. And they offer so much for their customers, including loan options and expanding customer service.

How much you can bring into your TFSA

If TFSA investors want passive income that lasts, then TD stock, BMO stock, and CIBC stock are definitely the three banks I would consider. In fact, let's look at what a $5,000 investment would get you today from all three banks.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY	TOTAL INVESTMENT
BMO	$136.58	37	$5.72	$211.64	Quarterly	$5,000
TD	$92.70	54	$3.84	$207.36	Quarterly	$5,000
CM	$62.10	81	$3.40	$275.40	Quarterly	$5,000

There you have it. As of writing, you can pick up all three in value territory for a total investment of $15,000 bringing in $694.40 each year.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BMO (Bank Of Montreal)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:TD (The Toronto-Dominion Bank)

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