Here’s Why I’ll Keep Buying TD Bank Stock in 2023

Description

Good stocks are like your default favourite food items that you revert to when you can’t make up your mind about something new. They are typically steady stocks offering predictable returns (via dividends or consistent growth), but more importantly, they are businesses you might understand well.

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For many Canadian investors looking for healthy dividends, bank stocks are among the default options. The stocks are safe, the business model is conservative, and the dividend histories are stellar for all of the Big Six.

The banking giants also offer decent capital appreciation potential. Of three out of the six bank stocks that investors may choose for a good mix of growth and dividends is **Toronto Dominion** (TSX:TD).

There are several reasons why the bank is a good buy in almost any given year, and 2023 is no exception.

The bank

Toronto Dominion is one of the oldest banking institutions in Canada, and one of the two banks (Bank of Toronto) that merged to form TD, established in 1855. That’s a long time to build trust in the communities it operates in.

The bank rose to become the second-largest bank in Canada by market cap, the sixth-largest North American bank by assets, and the top Canadian bank by assets and total deposits, as per the Q4 2022 report.

This endorses, not just the status of leadership in the banking sector but the scope of it as well. As the largest banking institution in the country in several retail banking categories, it’s incredibly stable and resilient against market headwinds.

Another feather in its cap is its impressive American presence. TD is the largest Canadian bank operating in the US and in the last quarter, 31% of its revenues were generated from US retail clients, compared to 42% from Canadian retail. The bank is also rapidly growing its digital presence in the US and Canada.

The stock

Despite being a heavyweight business, the bank has increased steadily in the last 10 years. The price has risen by about 122%. And if you add the dividends, the total returns in the last decade have been around 226%. The bank is currently offering dividends at a juicy 4.1% yield, and despite its 7.7% rise in the last 30 days alone, the stock is just below its fair valuation.

A healthy combination of long-term stability, sustainable and generous dividends, and capital appreciation potential is reason enough to keep buying this stock in 2023. It's also an established aristocrat that has grown its payouts by about 11% a year since 1995 (annualized growth).

This ensures that the passive income based on TD's dividends may stay ahead of inflation, and the growth potential may keep your capital growing faster than inflation can deplete its value.

Foolish takeaway

As one of the top blue-chip stocks currently trading on the TSX that offer reliable and relatively predictable long-term returns, the bank is a good pick for both your TFSA and RRSP portfolios. You can buy and forget it in your RRSP and use it to generate a passive income from your TFSA.

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