



Which of Canada's Big 5 Banks Has the Best Dividend?

Description

If you're looking for stable dividends, the Big Five Canadian banks are a great place to start. After all, none of them have cut their payouts since World War II. And just as importantly, they only devote about half of their income to their dividends. So, even if their bottom lines suffer a big hit, their payouts are still very affordable. But which of these dividend is the best one to own today?

The yields

Below are the annualized yields you can get from each of the five banks, as of this writing.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)): 4.4%

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)): 4.0%

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)): 4.8%

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)): 4.7%

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)): 4.8%.

Other things to consider

At first glance, BNS and CIBC seem to have the best dividends out of the Big Five. But there's a reason why they have such a big yield. Let's start with CIBC.

The bank is easily the most Canada-focused of all the Big Five banks, having few international operations to speak of. On the plus side, this allows the bank to be more focused and earn better returns. But it also means the bank has limited growth prospects, especially given the state of Canada's economy.

Meanwhile, BNS has its own issues. The bank has big operations in Latin America and the Caribbean, which normally would be considered an opportunity to grow, but lately that has been a source of weakness. Many Latin American countries, including the ones that BNS is concentrated in, are

struggling with low commodity prices. And banks in the Caribbean have suffered for years.

TD may look like it has the worst dividend. But the company is probably the best-situated out of all the Big Five banks. It has relatively little exposure to the energy industry and is heavily focused on Ontario and the U.S. East Coast. So, even though Canada is now in recession, the bank should continue to prosper in this environment.

Which one(s) should you buy?

The answer to this question depends on what kind of investor you are, and what kind of bet you want to make. If you're looking to make a bet on the Canadian economy, you should go with CIBC. For emerging markets, BNS is definitely the answer. But if you're simply looking for a solid dividend from a strong company, your best bet is to simply accept the lower yield from TD.

Of course, the search for quality dividends doesn't end there. For more such names, be sure to check out the free report below.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:BMO (Bank Of Montreal)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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