



Dividend Investors: 2 of Canada's 3 Largest Banks Just Hiked Their Payouts

Description

One of the most successful investment strategies is to buy and hold stocks with track records of dividend growth. This is because a rising dividend is a sign of a very strong business with excellent cash flows and earnings to support increased payouts, and the dividends themselves really add up over time when reinvested.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) recently raised their dividends and have active streaks of annual increases, so let's take a closer look at each to determine if you should invest in one of them today.

Royal Bank of Canada

Royal Bank of Canada, or RBC for short, is the largest bank in Canada and one of the 20 largest banks in the world with approximately \$1.2 trillion in assets as of July 31. It provides a wide range of financial products and services to over 16 million clients around the world.

In its third-quarter earnings report on August 24, RBC announced a 2.5% increase to its quarterly dividend to \$0.83 per share, representing \$3.32 per share on an annualized basis, and this brings its stock's yield to about 4.1% at today's levels. The first payment at this increased rate will come on November 24 to shareholders of record at the close of business on October 26.

RBC has consistently grown its dividend. It has raised its annual dividend payment for five consecutive years, and its recent hikes, including its 2.5% hike in February and the one noted above, have it on pace for 2016 to mark the sixth consecutive year with an increase.

It also has a target dividend-payout range of 40-50% of its net earnings, so I think its consistent growth, including its 2.8% year-over-year increase to a record \$5.13 per share in the first nine months of fiscal 2016, and its growing asset base, including its 10.5% year-over-year increase to \$1.2 trillion in the first nine months of fiscal 2016, will allow its streak of annual dividend increases to continue for many years to come.

Bank of Nova Scotia

Bank of Nova Scotia is the third-largest bank in Canada and one of the 25 largest banks in the world with approximately \$906.84 billion in assets as of July 31. It provides a broad range of financial products and services to about 23 million customers worldwide.

In its third-quarter earnings report on August 30, Bank of Nova Scotia announced a 2.8% increase to its quarterly dividend to \$0.74 per share, representing \$2.96 per share on an annualized basis, and this brings its yield to about 4.2%. The first payment at this increased rate will come on October 27 to shareholders of record at the close of business on October 4.

Like RBC, Bank of Nova Scotia has raised its dividend as often as possible. It has raised its annual dividend payment 48 times in the last 50 years with an active streak of five consecutive years of increases, and its recent hikes, including its 2.9% hike in March and the one noted above, has it on pace for 2016 to mark the sixth consecutive year with an increase.

Also, like RBC, Bank of Nova Scotia has a target dividend-payout range of 40-50% of its net earnings, so I think its consistent growth, including its 5% year-over-year increase to an adjusted \$4.43 per share in the first nine months of fiscal 2016, and its growing asset base, including its 5.1% year-over-year increase to \$906.84 billion in the first nine months of fiscal 2016, will allow its streak of annual dividend increases to continue for the foreseeable future.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:RY (Royal Bank of Canada)

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jsolito

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