2 High-Quality Stocks With +4% Yields to Buy Now

Description

If you're on the prowl for a high-quality dividend stock that you can buy and hold for decades, then you've come to the right place.

Let's take a closer look at why **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Morneau Shepell Inc.** (TSX:MSI) should be on your buy list 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 based on market capitalization. It provides a wide range of financial products and services, including personal and commercial banking, wealth management, insurance, investor services, and capital markets, to over 16 million clients in Canada, the United States, and 37 other countries.

RBC currently pays a quarterly dividend of $0.83 per share, representing $3.32 per share on an annualized basis, which gives its stock a bountiful 4.1% yield today.

Its earnings support its dividend. In the first nine months of fiscal 2016, RBC's net income available to common shareholders totaled $7.65 billion, and its dividend payments totaled just $3.58 billion, resulting in a 46.8% payout ratio, which is within its target payout range of 40-50%.

In addition to having a high and safe dividend, RBC has a reputation for growing its dividend. It has raised its annual dividend payment for five consecutive years, and its recent hikes, including its 2.5% hike in August, have it on pace for 2016 to mark the sixth consecutive year with an increase.

As mentioned before, RBC has a target dividend-payout range of 40-50% of its net income available to common shareholders, so I think its consistently strong growth, including its 6% year-over-year increase to $7.65 billion in the first nine months of fiscal 2016, could allow its streak of annual dividend increases to continue for another six years at least.

All in all, RBC offers a high, safe, and growing dividend, making it one of the best long-term investment options for dividend investors today.

Morneau Shepell Inc.

Morneau Shepell is the leading provider of employee- and family-assistance programs, the largest administrator of pension and benefits plans, and the largest provider of integrated absence-management solutions in Canada. Its solutions help approximately 20,000 businesses across Canada and the United States reduce their costs, increase their employee productivity, and improve their competitive positions.

Morneau Shepell pays a monthly dividend of $0.065 per share, representing $0.78 per share on an annualized basis, which gives its stock a yield of just over 4% today.

Its dividend is easily confirmed as safe when you check its cash flow. In the first half of 2016, Morneau Shepell's normalized free cash flow totaled $33.89 million, and its dividend payments totaled just $19.27 million, resulting in a sound 56.9% payout ratio.

Morneau Shepell is also a very reliable dividend payer. It has maintained its current annual dividend rate since 2011, and I think its very strong growth of normalized free cash flow, including its 12.1% year-over-year increase to $33.89 million in the first half of 2016, and its reduced payout ratio, including 56.9% in the first half of 2016 compared with 60.8% in the full year of fiscal 2015, could allow it to continue to do so for the foreseeable future or allow it to announce a hike whenever its management team so chooses.

Overall, Morneau Shepell offers a high and safe stream of monthly dividends, making it a great long-term investment option for dividend investors and income investors alike.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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jsolitro