



Set it and Forget it: Royal Bank of Canada Makes a Perfect Addition to Your RRSP

Description

Sometimes the best investments turn out to be the same ones you've completely forgotten about.

Case in point: **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), which often flies under many investors radars simply because it is such a laissez-faire type of company.

Year in, year out, Royal Bank brings in new clients, offering them checking and savings accounts and loans for Canadians to go out and purchase their first automobile or home. In some cases, it takes a client's assets under the bank's wealth management umbrella to save those funds and grow them for a rainy day.

It's kind of a [boring business](#) to invest in because there isn't really much to put you "on edge."

Unlike its U.S. counterpart that drew so much attention 10 years ago, the Canadian financial system is one of the most heavily regulated in the world.

Sometimes that can be a bit of a drag as it means greater restrictions on things like taking out a line of credit or getting a second mortgage on your property.

But when times get tough those regulations and restrictions can sometimes save borrowers and lenders alike from suffering a worst-case scenario.

Many have spoken ad nauseam for years about the [inherent dangers](#) in the Canadian economy and financial system.

For several years now, Canadian household debt has been at or above levels previously seen in the U.S. before that country's housing crisis and the levels experienced in the U.K. prior to that country's housing setback.

Yet the Bank of Canada and housing regulators have been more than prudent about taking proactive action and cooling off a heated real estate market.

That means that the performance of Royal Bank and other lenders, such as **Toronto-Dominion Bank** ([TSX:TD](#))(TD:NYSE) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) have perhaps been a little less than overwhelming as housing prices have soared in recent years. However, it also means that there is a greater chance that any forthcoming cooling off period will be less than calamitous.

But that's not to say that Royal Bank has been delivering anything but stellar results – far from it, in fact.

2017 was another year of strong performance for Canada's largest lender

Royal Bank, Canada's largest financial institution as measured by market capitalization, assets and virtually every other metric, put in another strong showing in 2017.

The bank reported net earnings of \$11.5 billion, or \$7.56 per share in 2017, a 9.5% improvement over 2016.

Meanwhile, Royal Bank maintains a firm financial position, ending the year with a common equity tier 1 ratio (CET1) of 10.9%, well above the required thresholds.

Return-on-equity, or "ROE," a critical measure for financial institutions, came in at 17.0% another improvement over the 16.3% ROE recorded in 2016 and helping to drive a dividend increase of 4.6% and a current forward yield of 3.69%.

Bottom line

Companies like Royal Bank are the perfect type of investment to include in your Registered Retirement Savings Plans ("RRSP") or even a child or grandchild's Registered Education Savings Plan ("RESP") because you don't need to worry about monitoring their activity on a daily, weekly or even a monthly basis.

Now in the ninth year of the current bull market cycle, you can also expect the market to start placing a premium on higher quality names, which only serves to make Royal Bank an even more attractive investment today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

6. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/23

Date Created

2018/04/06

Author

jphillips

default watermark

default watermark