



Are You Saving for a Rainy Day?

Description

Nowadays, it's all about instant gratification. That's what marketing and advertisements do — they get your attention by marketing products and services that you might like to buy. They're out there to get your money, and if we're not careful, we won't be able to save for a rainy day.



How do people save for a rainy day?

Back in the day, people shoved money under the carpet and forgot about it. Later on, people stored money in banks and earned interest, which was an improvement.

But there's a better way to save for a rainy day. If you bank with the Big Six Canadian banks, why not invest in them, too? The banks have increased their earnings on a per-share basis over the long term. Moreover, they share their growing profitability via [an increasing dividend](#).

Besides, as shareholders, you'll feel better the next time they raise your banking fees because you know they'll increase their dividends (i.e., your income) over time.

Here, I'll discuss **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), the bank I invest with.

Scotiabank is a stable investment

Scotiabank has steadily increased its earnings per share over the long haul. In the past 10 years, its earnings per share grew 5% per year on average, which was faster than inflation. Moreover, it pays a steadily growing dividend. In the same period, its dividend per share increased by almost 5.8% per year with a mix of growing earnings and payout ratio expansion that rose from 43% to 47%.

Based on this year's forecasted earnings, Scotiabank's payout ratio is estimated to be less than 47%. Its payout ratio probably wouldn't stray far from 50%, and its dividend is intact for future growth.

Why Scotiabank stock is a great way to save for a rainy day

Scotiabank is a business that continues to generate billions of dollars of profits year after year. Most recently, in the first quarter of fiscal 2018, the bank generated net income of +\$2.3 billion with a nice return on equity of 16.2%. While shareholders [earn a growing income](#) from the stock, their investment should also appreciate over time from the growing profits as long as they paid a fair price on the stock in the first place.

Investor takeaway

Right now, Scotiabank stock is in fair valuation territory and offers a ~4.2% yield. If you hold it long enough, you can even get all your investment back in dividends! If you think about it, investing in Scotiabank is not necessarily all delayed gratification. After all, you can spend the dividends if you want to.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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