



Retirement Income: 1 Top Dividend Stock to Buy in 2019

Description

When volatility spikes and fear grips investors, it's tough to make an investing decision. This is exactly the environment we have been facing for the past three months.

But if you're an investor whose aim is to build your retirement income slowly, then making your choices shouldn't be that hard, as it would be for a growth investor.

The reason is simple: when the investment climate gets murkier, economic growth falters, and the measure of risk, known as volatility, spikes, then the best areas to find refuge is [top dividend-paying stocks](#).

Companies that produce basic services and products get less affected from the market gyrations as their consumers have no choice but to continue buying their services. Think about banks and your internet service provider. It's very tough to come up with a scenario where you will close all your bank accounts, move your savings to your home locker, and disconnect all of your internet services.

The stickiness of their customers and the recurring nature of their revenue make such stocks classic "cash cows" and ideal to earn growing retirement income.

In Canada, the nation's five top lenders are some of the biggest cash cows, producing regular returns for their investors for decades. Canadian banking companies operate in a sweet spot where they don't face much competition. They have an efficient regulatory environment, which has proven very resilient during the times of distress.

Though I like all five top banks in Canada, there are times when a couple of stocks from this group become more attractive and offer better value to long-term investors. These days, [Bank of Nova Scotia](#) ([TSX:BNS](#))([NYSE:BNS](#)) offers better value than its four peers.

Scotiabank's investing case

After falling about 16% this year, its yield is now touching 5%. The pullback that we saw in 2018,

especially in the last quarter, has run its course, in my view, and the stock looks very attractive with the forward price-to-earnings multiple of 8.51.

Scotiabank's push into Latin America has been a great bet that not only diversified its earnings, but also gave the bank an edge over its peers when it comes to finding new areas of growth.

In the fourth quarter, its Latin American operations helped fuel record earnings from international banking. Earnings from international banking rose 22% — its biggest jump in three years. That growth exceeded the 4.5% profit gain from Canadian banking from a year earlier and the 6.4% jump in the global banking and markets division.

For your retirement income, the most important thing to watch is whether Scotiabank has been a reliable dividend payer. The lender has paid a dividend every year since 1832, while it's hiked its payout in 43 of the last 45 years.

Bottom line

With a payout ratio of about 40%, I see a plenty of room for the bank to continue hiking its \$3.40-a-share annual dividend. With the 12-month consensus price estimate of \$84.33 a share, Scotiabank's valuations are compelling enough to place a long-term bet on this top dividend payer in 2019.

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