



Royal Bank of Canada (TSX:RY): 1 of the Best Dividend Stocks to Buy

Description

For income-seeking investors, it's not always easy to decide what dividend stocks to buy. The biggest hurdle in this selection comes when you are not sure about your investing span. Once you have decided to remain invested over the long run, the decision becomes much easier.

Let's try to understand through the example of **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)), one of the [best dividend stocks](#) to buy.

Wide economic moat

The stocks that make the list of the best dividend stocks have mostly one trait in common: they have a durable competitive advantage over other players due to their size and the nature of the products and services they provide.

Royal Bank is one such stock that meets this definition. It is the nation's largest bank with more than \$1.2 trillion in total assets. It also has a strong presence in the U.S. after its acquisition of City National Bank in 2015.

Another quality of the best dividend stocks is that most of its cash flows come from recurring revenue. No matter how much you hate your monthly account fee and other charges when you make transactions, it's not possible to run your life without having a bank account.

With a large branch network and its dominant position in North America, Royal Bank is in a great position to perform better and continue paying dividends to investors in both favourable and tough operating environments.

The lender's first-quarter earnings released in late February shows that strength. In that period, Royal Bank faced the challenging market conditions as income from its trading division declined due to a sharp correction in markets in late December. Still, Royal Bank was able to hike its dividend and delivered a 5% increase in quarterly profits on solid earnings from its personal and commercial banking and insurance arms.

Stability in dividend income

For income investors, one or two quarters' performance doesn't matter much. They want to invest in dividend stocks that can continue paying [steadily growing income](#) and generate returns that consistently beat the markets over the long run.

Royal Bank is one of the top dividend payers that has been growing payouts regularly. The lender has paid distributions to shareholders every year since 1870 with a strong track record of dividend growth.

During the past decade, Royal Bank stock has beaten the benchmark **S&P/TSX Composite Index** with a big margin. On total-return basis that includes dividends paid, Royal Bank stock delivered 138% return when compared to 58% gain the index.

Going forward, analysts see 7-10% growth in dividends, which is line with the lender's earnings growth over the medium term. The current payout of \$4.08 per year provides a forward yield of around 4%.

Bottom line

Trading at around \$104.08 a share at the time of writing, Royal Bank stock fulfills many criteria that make a company the best dividend stock to buy.

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