



Time to Snap Up Royal Bank (TSX:RY) Stock for Quarterly Passive Income?

Description

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is one of the most popular bank stocks on the TSX. As the largest Canadian bank by revenue and market cap, it has a proven track record of delivering solid returns to shareholders. Over the past five years, Royal Bank has returned about 46% plus dividends, making it a market-beating stock despite its relatively safe and “boring” operations.

More recently, Royal Bank has emerged as a standout among TSX banks. In its most recent quarter, it grew earnings by 7% year-over-year, which, although not a huge gain, was above average for the TSX in the same period. This relatively strong growth during what was otherwise a rough time for Canadian banks means that Royal Bank’s dividend may be among the most reliable among its peers. But will that remain the case? To answer that question, we need to look at Royal Bank’s most recent quarterly report.

Latest earnings

In its most recent quarterly report, Royal Bank reported revenue of \$11.5 billion, up from \$10.8 billion a year prior. In addition to growing its revenue, the bank also [increased net income by 5%](#) and diluted EPS by 7%. These are solid numbers from a Canadian bank in the final quarter of 2018. Others saw earnings either flatline or drop in the same period, a difficult time for Canadian markets. Royal Bank’s growth in that quarter seems to have been driven mainly by a large 31% jump in its insurance business; other business units were mostly flat or up 2-5%.

Dividend: yield and growth

At current prices, Royal Bank stock yields about 3.8%. That’s above average for the TSX on the whole (TSX index funds average about 2.7%), but somewhat on the low end for a bank stock, as it’s possible to find banks that [yield as high as 4.7%](#). However, when looking at dividends, the yield is not the only thing you need to consider. You also need to consider the prospect for dividend growth. Stocks that have growing dividends could end up yielding more tomorrow than they do today. And as Royal Bank

has growing earnings and an average dividend growth rate of 7.9% a year, it's safe to say that that will be the case for its stock.

Is the dividend safe?

It's one thing to say that Royal Bank has a high and growing dividend, but quite another to say that its dividend is reliable. Companies cut dividends all the time, and the chance that this will happen to one of your investments is something you need to consider.

Fortunately, it looks like Royal Bank's dividend is fairly safe. With the payout ratio on the low end at 47% and the stock still growing earnings each quarter, it appears likely that Royal Bank will keep paying its dividend without reducing it for the foreseeable future. This makes Royal Bank stock a great option if you're looking for quarterly passive income in your TFSA or RRSP.

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