Lock in This Succulent 5.9% Banking Dividend by July 1

Description

Dividend investors have made Canada's banks a significant portion of their portfolios for decades now, and it's easy to see why.

Banking is a fantastic business. Only a select few people can purchase a home or even finance a car nowadays without taking on debt. Even having a debit card, a bank account, and a credit card are all necessities in 2019. No business can expand quickly without credit, either.

Canadian banking is the best portion of the financial services sector. I would much rather own Canada's top banks versus ones in the United States. The presence of mortgage default insurance — which protects the lender in case of a default — is one big reason. The dominant position of our largest banks is another. Remember, Canada's top banks combine for a market share of more than 80%.

Finally, Canada's banks pay some of the best dividends around. Some, like the one offered by **Laurentian Bank of Canada** (TSX:LB) are even approaching 6%. But investors need to act soon or this dividend might just pass them by.

Why Laurentian?

Although Laurentian Bank isn't part of the elite Big Five banks, it's still a big financial institution. The Quebec-based bank has more than $45 billion worth of assets, and it recently surpassed $1 billion in annual revenue for the first time.

Although most of its retail operations are in Quebec, Laurentian has operations across Canada with its equipment financing and B2B Bank subsidiaries. The latter lends against real estate throughout Canada via mortgage brokers.

2018 was a bit of a down year, with earnings per share falling to $5.10 for the year. That compares to 2017, which saw the company earn $5.40 per share. Management blamed the disappointing year on their own conservatism; the company decided to keep more cash on its balance sheet rather than lending it out.

In an attempt to catch up to other large Canadian banks, the company is also making big investments in technology and is spending to decrease the size of its branch network. When all is said and done, this plan will convert branches into areas that focus on services like wealth management and mortgages rather than day-to-day banking.

While these changes happen, investors have a good opportunity to pick up shares on the cheap. Laurentian shares trade at just 8.9 times 2018's earnings. Analysts aren't quite as bullish on 2019's earnings, but shares still trade at just over 10 times projected earnings for 2019.

In short, Laurentian shares are cheap, and they pay one of the best dividends out there, too.

Get paid

Laurentian Bank pays investors a quarterly dividend of $0.66 per share. That's good enough for a 5.9% yield. Don't bother looking it up; you won't find a better dividend from a major Canadian bank.

The company targets a 50% payout ratio. The dividend is a little above 50% of 2019's projected earnings, but it should go back to normal in the 2020-21 period. All investors need to worry about is that Laurentian's payout is solid. You don't have to worry about it being cut.

The bank has a fantastic history of dividend growth behind it, too. Since 2008, it has doubled its dividend, increasing the annual payment from $1.30 to $2.64 per share, which represents growth of more than 6% per year.

I firmly believe that this deal won't be around forever, which means you'll want to load up on shares soon. Anyone who owns shares by July 1 is eligible for the next dividend. After that, shares could skyrocket, and you'll regret not locking in the yield today.

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1. TSX:LB (Laurentian Bank of Canada)

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