



Collect \$7,000/Year of Passive Income With This Rock-Steady Dividend Payer

Description

A Canadian stock that stands out in my list of outstanding investments is **National Bank of Canada** ([TSX:NA](#)). Never mind if the dividends are lower compared to the [highest-dividend payers](#). I simply look at the dividend metrics to conclude that the bank is a strong income stock.

Canadian bank stocks are good and safe investment choices. This peer group has outperformed the market 75% of the time in the last 25 years. NA is the sixth-largest bank with a sector-leading ROE of 18.5% in 2018. I also like the possibility of collecting \$7,000 yearly passive income from this rock-steady dividend payer.

Excellent growth opportunities

In the most recent earnings season, National Bank bested the top five in terms of steady growth and a richer dividend. The Canadian-centric bank's net income climbed 2% year over year to \$558 million in the fiscal second quarter.

The core personal and commercial banking division registered a \$234 million profit which represents a 9% growth. However, the profit of the financial markets division fell 16% to \$160 million in the three-month period that ended April 30.

Still, National Bank raised the quarterly dividend and simultaneously announced the repurchase of up to six million of its shares. CEO Louis Vachon credits the disciplined cost management, strong credit quality, and solid capital ratios for the solid performance and positive momentum being experienced by the bank.

Excellent dividend track record

Long-standing investors of National Bank of Canada were rewarded with an annual dividend of 4% over the last 10 years. The bank has never failed to deliver income stream to shareholders.

At present, the dividend yield and payout ratio are 4.31% and 44.95%, respectively. The growth estimate for the next five years is 7.23%, so the likelihood of further dividend increase is there.

Some investors choose the larger banks because they are diversified and possess a broader portfolio. They think the focused business in Quebec is a disadvantage. Keep in mind that Quebec is the second-most populous province and has the strongest economy among the 13 territories.

While the country is waiting for the economic boom, Quebec is expected to outperform the economy for the second consecutive year. The savings rate of households in Quebec is also higher versus the national average.

The real estate market did not see a slowdown, as Quebec has very good housing affordability. So far this year, home sales are at record levels. With business confidence rising, NA is an ideal [investment for the long term](#).

Excellent source of passive income

At the current price of \$63.06 and a dividend yield of 4.31%, you need about \$162,413 to be able to purchase 2,576 NA shares to collect \$7,000 in annual passive income.

The investing period could take more than 10 years. But National Bank of Canada is an income-producing asset that will have both capital and dividend growth down the road. The earlier you start investing, the sooner you can realize your passive-income target.

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Date

2025/08/23

Date Created

2019/07/22

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