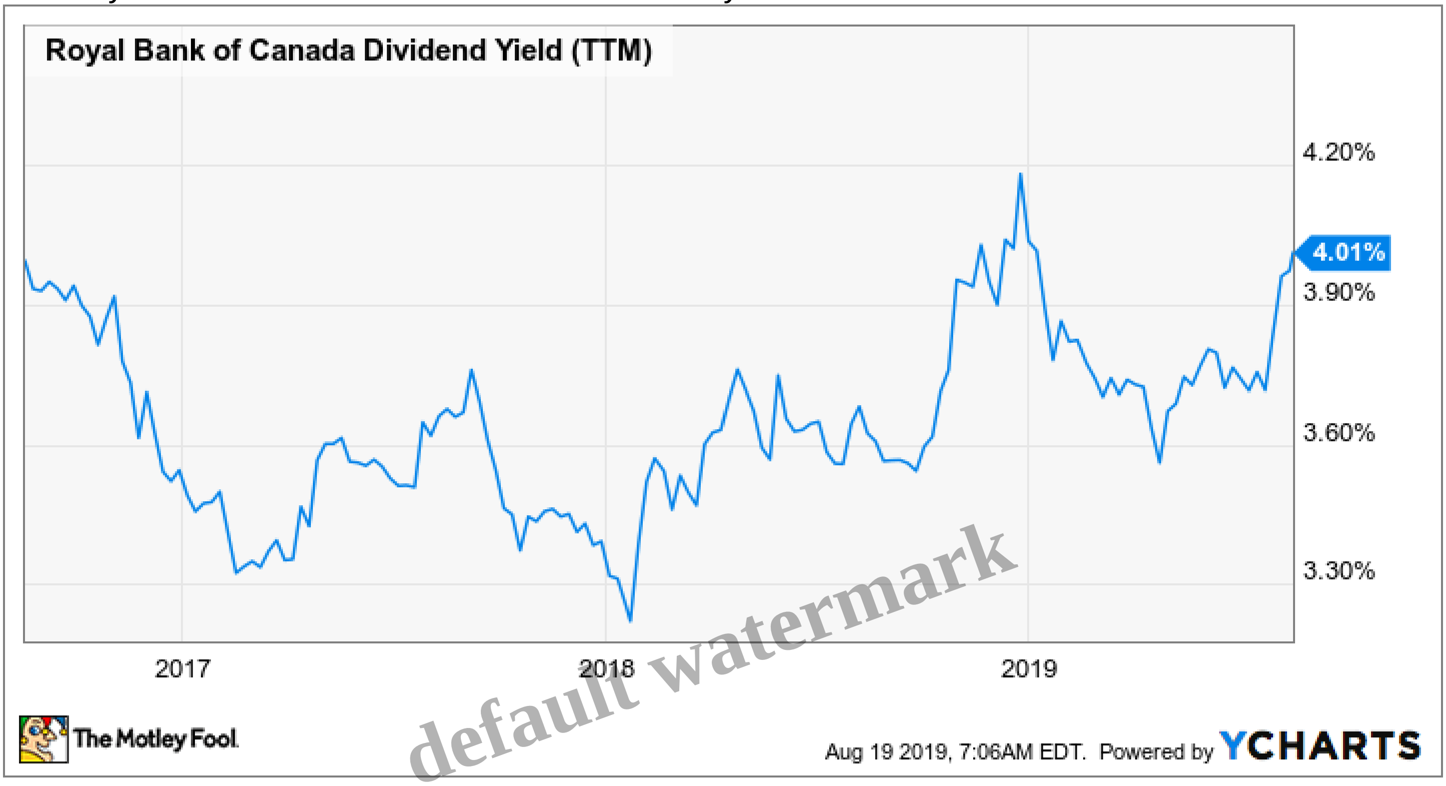
TFSA Investors: This Top Bank Stock Is Now Paying 4.1%

Description

The market's recent struggles may have many investors a little concerned and on edge that things may be headed further down in the days and weeks to come. However, dips in the market like this haven't been unusual, and it could simply turn out to be a great buying opportunity for investors that have the stomach to buy amid these falling share prices.

For TFSA investors in particular, it's a chance to buy some dividend stocks that are paying higher yields than normal as a result of lower share prices. Bank stocks have been performing poorly this year and are some of the more appealing options today. Not only are they safe long-term buys, but they are safe bets to continue paying dividends as well.

One stock that has gotten my attention lately is **Royal Bank of Canada** (TSX:RY)(NYSE:RY). The top bank stock has fallen around 5% in just the past three months and, as of Friday's close, was yielding approximately 4.1% in dividends. A yield of more than 4% is not typical for RBC stock, as it has normally found itself below that threshold in recent years:



Although it may seem like a nominal increase of 20-40 basis points higher than normal, it can still result in more dividend income for your portfolio. The more that you invest, the more of a benefit you'll get from locking in at a higher yield. For investors sitting on the fence, it could be the incentive needed to pull the trigger on buying RBC stock.

Another incentive is, of course, the fact that the stock itself is trading at a low price and that it could be due for a rally. And so not only is there an opportunity to benefit from a higher dividend, but there could be a lot more room for the stock to rise in value as well. RBC is not a stock that's going to stay down for long, and with earnings coming up, we could see a rally happen a lot sooner than later.

Over the past five years, RBC's share price has risen by more than 20%. And while that might not be an inspiring return, averaging just 4% per year, when you factor in its dividend, you've got what's likely going to be a great long-term investment.

There's not a whole lot of risk investing in RBC stock today, and while there may bumps along the way, especially if there's a recession or downturn that takes place in the markets, it's a safe bet that it will recover.

Bottom line

There's never a shortage of reasons to buy RBC stock, and when it goes on a dip, it's a great opportunity to buy more shares of the company.

The Canadian economy still looks strong today, and if RBC is able to post strong quarterly results this week, the stock could be headed on a much stronger trajectory, and that means its yield could start dropping as well.

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