Income Investors: This Stock Has a Higher Yield Than TD Bank (TSX:TD)

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a favourite of Canadian dividend investors. Although other stocks have higher dividend yields, TD has an excellent combination of yield and growth.

Over the past five years, TD has increased its payout by 9.7% a year on average. With a 3.83% yield right now, that's one high yield stock with the potential to pay even more over time.

If you're looking for a moderately high yield stock that can pay you more and more over time, TD is one to consider. However, if you're looking to get a very high yield right out of the gate, there are better options.

TD's yield is actually fairly low among Canadian banks, which yield about 5% on average. There's one bank stock in particular that has been beaten down so badly it's pushing 6%. With a negative-sloping five-year stock chart, this security is not for the faint of heart. However, it does have the potential to produce some serious income.

Laurentian Bank

Laurentian Bank (TSX:LB) is a small bank that operates mainly in Quebec, with smaller operations in Ontario, Alberta and Nova Scotia.

As a schedule 1 chartered bank, it offers all the services you would expect from a Big Six bank. However, it's much more regional in scope.

Laurentian has had some bad quarters recently, which have sent its shares lower. However, looking at the big picture, the company is growing year in and year out. In 2016, the company had $151 million in net income.

By 2018, that had grown to $224 million. In roughly the same time span, deposits grew from $33 billion to $34 billion. This shows that Laurentian is a company that's delivering more and more value overtime.

Why it has such a high yield

Similar to most stocks with extraordinarily high yields, Laurentian Bank's yield is thanks to a tanking share price, which should come as no surprise. The real question is why the share price got so low in the first place.

Apart from some recent weak quarters, the answer mostly has to do with Laurentian's 2018 mortgage scandal.

In 2017 and 2018, Laurentian Bank was found to have issued as many as 1900 problematic mortgages , which resulted in it having to buy back between $180 million and $392 million worth of them.

Naturally, this was an enormous burden on the bank's balance sheet; in 2018 total assets declined to $45.8 billion from $46.6 billion a year before. Such a financial hit is a real concern.

However, even with the balance sheet taking a hit, the bank is still growing its profits over time, which may indicate that its future is brighter than its recent past.

Does income alone merit a buy?

When buying a high yield stock with a falling stock price, you need to ask whether the yield is worth the risk of capital loss. In Laurentian's case, this really depends on the bank's mortgage lending practices.

If the company continues issuing bad mortgage loans and having to buy them back, then its shares may continue to slide. Otherwise, it could be a solid buy; after all, revenue and net income are trending upward on the whole.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/08/22
Date Created
2019/10/01
Author
andrewbutton