



Why Royal Bank of Canada (TSX:RY) Is a Retiree's Dream Stock

Description

For retirement investors, income is the name of the game.

As you approach your golden years, with work behind you, it becomes imperative to pick investments that will pay you cash to cover daily necessities. You might be earning money from CPP, OAS, or even an employer-sponsored pension, but remember, there's no guarantee that those programs will last forever. After all, other countries have cut pension benefits before.

In general, financial advisors recommend that retirees hold income-producing investments. When you're young, you have enough time ahead of you to gamble on growth stocks. In retirement, however, it's best to choose investments that pay you [reliable cash income](#).

Enter **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). As one of Canada's oldest banks, it has been paying dividends for more than 100 years running. Like all Canadian banks, Royal Bank is world-renowned for its safety. But there are other specific qualities that make RY an especially desirable retirement pick compared to other Canadian bank stocks.

One of the “safer” banks around

As mentioned, Canadian banks in general are regarded as safe, not only within Canada but around the world. Canada has some of the strictest financial regulations of any country, and further, Canadian banks are known for conservative practices that go beyond even what regulations require.

However, not all Canadian banks are equal when it comes to safety, and this is one way that the Royal Bank stands out from its peers.

As a largely domestic-focused bank, RY is less exposed to more erratic international markets than, say, **TD** or **Scotiabank**. Both of those banks earn sizable portions of their income from foreign operations. While Royal Bank has some presence in foreign countries too, it earns much less of its income from locations outside of Canada than the other big six banks do, which makes it somewhat less vulnerable to international financial crises.

Solid dividend income

Another feature RY has going for it is dividend income.

At current prices, [RY yields 4.1%](#), which is above average for the TSX as a whole. There are other banks, like **CIBC**, that have higher yields, but RY beats most of them on safety and stability of income. In 2008, when the global financial crisis ravaged banks, the Royal Bank saw its earnings decline by only 19%. You might think that a 19% full-year decline in earnings is a big deal, but recall that this was a year when many big banks filed for bankruptcy. Compared to its international peers, RBC survived the late 2000s without a scratch. This bodes well for the bank's ability to keep paying its dividend through any future financial crisis.

Foolish takeaway

Royal Bank is Canada's most widely owned bank stock for a reason. With a solid track record of safety and stability, it's a stock investors can depend on to generate dividends year after year. For retirees whose main investing goal is income, that's a solid enough reason to consider this stock.

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2025/09/04
Date Created
2020/01/08
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