



RBC (TSX:RY) is a Bank Stock to Buy and Never, Ever Sell

Description

The banking sector in Canada enjoys a dominant position on the TSX. So much so that four out of the Big Five are banks among the country's top 10 stocks by market capitalization. The sector is secure, stable, and growing.

Banks in Canada operate in a relative oligopoly, with no financial institution nearly strong enough to act as serious competition.

The **Royal Bank of Canada** ([TSX:RY](#)) ([NYSE:RY](#)) reigns supreme on the TSX and in the banking sector. And it's one of the stocks that you can buy and hold onto forever. There are many reasons for that, but the three main reasons would be: position, dividends, and growth.

The No. 1 stock

Royal Bank of Canada has a market cap of \$154 billion at the time of writing. It's relatively close to **Toronto-Dominion**, the next in line with a market cap of \$135.5 billion. No other stocks come even close. The sheer size and asset value of Royal Bank allows it to control the market uniquely. When an institution this big makes a move, the market usually follows.

The broader market, international financial situation, and recession (market correction) may have an effect on RBC, but it stands very solid on its home ground. In the last recession, the market value fell by 45%, but the bank recovered in less than a year. And since then, the market value of the bank has grown steadily.

Dividend aristocrat

Like the others in the Big Five, Royal Bank is a dividend aristocrat. It has grown its payouts for nine consecutive years. Unlike other banks, it has been growing its dividends once every two quarters. Since 2016, it has grown its payouts by almost 33%. Currently, the bank is offering a juicy yield of 3.97%, which equates to \$1.05 per share. The payout ratio is very stable, at 46%.

Growth

Royal Bank is currently trading at \$108 per share. The dividend-adjusted growth of the bank has been 75% in the past five years and the compound annual growth rate, 11.84%. It's the highest in the sector, followed [closely by TD](#). It has also grown its revenue by 11% and earnings per share by 5.9% on year-to-year basis. If we look a year back, Royal Bank has grown better than any other of its peers, since February 2019.

\$20,000 in Royal Bank now has the potential to grow to about \$574,000 in 30 years, if you forget about it. And if you keep investing only about \$2,000 a year in the bank, it has the potential to make you a millionaire.

Foolish takeaway

As a dividend stock, the Royal Bank doesn't offer a very lucrative yield. But that is partly because of the bank's continued growth in market value. If you want [a stock](#) that you can buy and hold forever, and let it grow inside your TFSA or RRSP, then RBC deserves to be considered.

The chances are that it will keep growing, and if you aren't reinvesting the dividends, the passive dividend income stream will keep widening as well.

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