What Market Crash? 2 Dividend Kings That Will Still Pay You

Description

Announcements of dividend cuts are the regular fare these days even from well-known dividend-payers. Protecting cash flow and relieving the pressure off the balance sheet are the common reasons. The options to earn extra income during the market crash are lessening for investors.

Two banking industry luminaries, however, have a reputation to protect. Despite the looming existential crisis, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are likely to be the dividend machines left standing during the COVID-19 pandemic.

Largest bank

Royal Bank of Canada, or RBC, is the largest banking institution in Canada by market capitalization. This $121.4 billion bank (as of April 15, 2020) is the most dominant not only in lending operations, but also in asset management and investment banking.

The business of this 156-year old firm is well diversified, from businesses and geographies to client segments. At present, it serves more than 16 million clients in Canada and the U.S. plus 30 more countries around the world. Every year since 1870, RBC has been paying dividends.

The bank was badly bruised and beaten in the 2020 market crash. Despite the 16.2% stock price depreciation year-to-date, the practice of dividend payout is in no danger of stopping. RBC, however, retains the option of suspending it.

Income investors would rather choose a reliable stream of income over stock performance in this crucial time. RBC is one of the Big Five banks that did not waver during the 2008 financial crisis.

Second-largest bank

The dividend track record of **Toronto-Dominion Bank,** or TD, is equally endearing to dividend investors. TD is the core holding in many stock portfolios because of the high yield and long history of paying dividends. The 163-year-old practice is part of TD's DNA.

In the current crisis, TD is once more becoming the go-to lifeline of income seekers. While this bank stock's year-to-date loss is 20.4%, the 5.6% dividend yield remains safe and sustainable.

TD is a must-own stock for the long haul. The bank has been the top investment choice for years because of strong fundamentals, extensive U.S. presence, and healthy dividend growth. Even high-growth tech stocks can't hold a candle to TD.

Over the last four quarters, TD has been delivering $10 billion in revenue. The retail segment in Canada is the biggest contributor. This bank had a roaring start in 2020 until the novel coronavirus came along.

Where it not for the outbreak, TD could have posted a new milestone like hitting the $11 billion revenue in Q1 2020. As of the moment, TD has no plans of making dividend policy changes.

Reputations at stake

The road ahead is will indeed be tough for RBC and TD. Both banks have to deal with mortgage payment deferrals and other relief on credit products. Similarly, the pressure to suspend dividend is growing. The reputations of RBC and TD as reliable dividend-payers are at stake.

Analysts believe COVID-19 will not force the two banks to implement a drastic move.

Chances are, these dividend machines will not conk out. Both are well-positioned to weather the worst-ever crisis to hit the stock market.

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