2 Heavily Discounted Dividend Kings To Buy and Hold Forever

Description

COVID-19 struck like a lightning bolt in 2020, bringing unprecedented destruction and total disruption of everyday life. The investment landscape was turned into a no man's land, meaning you invest at your risk.

Slowly, however, the stock market is recouping the losses from the market selloff. The consolation is that established dividend kings have not cut dividends, although the prices are heavily discounted. Income investors have the opportunity to buy the stocks at a discount and hold the assets forever.

Back to Dividend Aristocrat status

Great-West Lifeco (TSX:GWO) is cheaper by 26% at present versus its 2019 year-end price of $31.26. At $23.80 per share, you will partake of the high 7.37% dividend. Imagine earning $1,842.50 on a $25,000 investment. In 10 years, your money will be worth $50,906.07, or double the original capital.

Management learned their lessons during the 2008 financial crisis. The company had to cut its dividend, thereby losing its Dividend Aristocrat status. But all that has changed. Great-West took swift action by investing heavily in risk management capabilities.

The business model today is more diversified and resilient. There is balance across geographies, products and risk types. About 69% of Great-West's invested assets portfolio is in bonds. Similarly, 99% of them are investment-grade. All the right moves in post-2008 are paying off in the pandemic era.

Before COVID-19, this $22 billion financial services holding company already had a strong capital position. According to Great-West's President and CEO Paul Anthony Mahon, the company can weather this health crisis despite an approximately $300 million reduction in net earnings in Q1 2020.

Best buy

There's no better deal in the pandemic than owning shares of the largest banking institution in Canada. The

Royal Bank of Canada (TSX:RY)(NYSE:RY) is trading at an absurdly bargain price of $89.61. At the close of 2019, the price was $100.43. Your $20,000 will triple in value in 25 years owing to its 4.90% dividend.

RBC will be at the forefront of Canada's post-pandemic economic recovery. The bank has laid down a five-point plan that should serve as a roadmap for small businesses' resurgence.

Leaders in the private and public sectors are encouraged to streamline relief programs for recovery. RBC recommends investing in the capacity of every enterprise to reopen safely. The third suggestion is the creation of new networks for a massive digital push.

The last two points are the implementation of new economic strategies so businesses could scale and adoption of a more strategic approach to globalization. From an investment standpoint, RBC is too big and formidable to fall. For small businesses, the banking giant wants the policy motto to be "too small to fail."

RBC is fully supporting small businesses because they are the Canadian economy. If business activities return to pre-corona levels, the sector can contribute more than 40% of GDP again. Also, the industry will bring in 60% of new jobs like before.

Reason to stay invested

The sharp drop in stock market values is worrying, but not necessarily a reason to stay away. There are dividend kings that will help you pursue long-term financial goals minus the anxiety.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks

2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2020/06/19
Author
cliew