Dividend Investing: 2 Bank Stocks to Buy

Description

With stocks down across the board so far this year, long-term investing opportunities are abundant. In particular, those focused on dividend investing can now find outsized yields for decent prices.

Over a long enough horizon, the market will bounce back from these lows and these stocks can make high total returns. Naturally, reliable blue-chip stocks make for great picks during these times for long-term investors.

This is because a ton of stocks are offering big yields right now — just by virtue of the fact the market is down. The recipe for successful dividend investing isn't just finding the biggest yield, but instead finding juicy yields that are safe and reliable.

Today, we'll look at two bank stocks with iron-clad track records when it comes to both share price and dividend growth.

RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is a household banking name for Canadians. In fact, it's the largest Canadian bank by market cap.

RY has long been a perfect example of stable dividend growth done right. This dividend investing star has paid its dividend every year since 1870, with growth only stagnating in turbulent times such as the financial crisis.

Now, the bank has certainly had its share of challenges recently. Year-over-year quarterly revenue growth is down over 30%, loan loss provisions have shot up, and the interest rate continues to drive margins lower.

However, RY has a near bullet-proof balance sheet and access to more than sufficient amounts of liquidity and support. Plus, even with the bleak figures at hand, RY's payout ratio is still only 53.78%.

All in all, it would take some very dire circumstances to see RY cut its dividend to investors.

As of this writing, this dividend investing superstar is yielding 4.64%, beating its five-year average yield of 3.87%. As such, there’s a chance for long-term investors to lock in an outsized but stable yield with RY.

TD

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is another major Canadian bank, and the second-largest by market cap behind RY.

As with RY, TD has been paying its dividend for a very long time. In fact, this dividend investing gem has made dividend payments every year since 1857.

TD has seen a lot of growth in recent years, mostly due to its U.S. expansion. The bank now sits as a top 10 bank in the U.S., a remarkable feat for a Canadian bank.

Of course, TD faces a lot of the same challenges that RY does. Plus, with its heavy U.S. presence, it might be deemed a little riskier given the current economic conditions.

However, TD has a rock-solid balance sheet and has proven to be resilient against turbulent economies. Despite negative revenue growth, the stock is still sporting a payout ratio of just 52.81%.

As of this writing, this dividend investing stock is yielding 5.18%, which dwarfs its five-year average yield of 3.66%. As such, TD is offering a higher payout today compared to RY, both in absolute terms and relative to past yields.

For long-term investors, scooping up a yield in excess of 5% with a blue-chip stalwart like TD is a major win.

Dividend investing strategy

When it comes to long-term dividend investing, both RY and TD are historically great options. Both are currently offering juicy yields at decent prices for long-term investors.

If you’re looking to add to a dividend investing strategy, both RY and TD are worth strong consideration.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

4. TSX:TD (The Toronto-Dominion Bank)

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
2025/08/26
Date Created
2020/07/06
Author
jagseguin