Dividend Stars: 2 TSX Giants to Buy

### Description

In recent weeks, we've seen stocks recovering slowly. For the most part, however, they're still far away from pre-crash prices.

So, that means long-term investors can pick up dividend stars at decent prices. However, a big dividend isn't the whole picture in this economic climate, as the stocks must have resiliency and strong balance sheets as well.



Otherwise, investors could be setting themselves up to fall for a yield trap and end up on the wrong side of things chasing a big dividend.

Today, we'll look at two TSX giants that have been dividend stars for a long time. These are stocks that have the financial padding and resiliency to push forward, despite economic challenges.

# RBC

**Royal Bank of Canada** (TSX:RY)(NYSE:RY) is Canada's largest bank by market cap. It offers a wide range of financial products and services to customers.

There's no denying that this stock has been hit hard by the recent economic conditions. As loan-loss provisions shot up, income from loan interest subsequently cratered and this has been felt heavily on the bottom line.

Even still, RY is well positioned to continue providing value to investors. Due to its strategic diversification, this dividend star has a well-padded balance sheet that can withstand these challenges.

Resilient and diverse forms of cash flow mean that short periods of economic uncertainty aren't catastrophic for RY. As such, it's continued to pay its dividend to investors like it has consecutively since 1870.

As of this writing, this dividend star is yielding 4.44%. Given the five-year average yield sits 3.88%, investors can still lock in an attractive yield with RY.

Given its sheer size and financial safety, I wouldn't bet on RY halting its dividend and would look for a swift recovery as the economy re-opens and ramps up.

## BMO

**Bank of Montreal** (TSX:BMO)(NYSE:BMO) is another large Canadian bank with a well-diversified mix of cash flow streams.

BMO has faced a lot of the same challenges that have plagued RY in this economic environment. As such, the stock is down about 25% since the start of the year.

However, this dividend star has a phenomenal track record for showing resilience in the face of adversity. Its balance sheet still seems sturdy and it has strong liquidity support.

BMO has also long been paying and increasing its dividend to investors. As of this writing, this dividend star is yielding 5.5%.

With a five-year average yield of 4.06%, investors can scoop up a reliable and outsized yield with BMO.

As the economy continues to re-open and get moving, expect some burdens to come off BMO's bottom line and for growth to drive forward.



For the long run, BMO's strong positioning in the U.S. also gives it an edge over some of its less geographically diversified peers.

## Buying dividend stars

Both RY and BMO are highly regarded Dividend Aristocrats offering investors good value. These dividend stars have the strength to persevere given tough conditions while also offering investors a strong yield along the way.

Over the long run, these TSX giants can offer great total returns for investors willing to dip their toes in during uncertain times.

If you're looking to add a dividend star to your portfolio, be sure to give these stocks consideration.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
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2. NYSE:RY (Royal Bank of Canada)
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