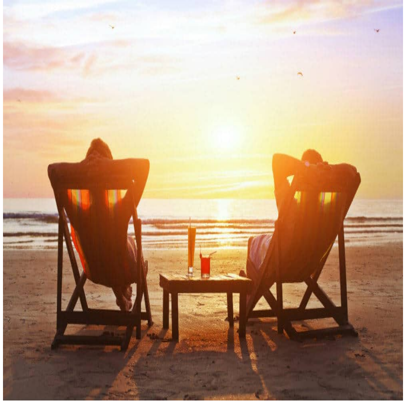

Royal Bank of Canada (TSX:RY): A Retiree's Dream Stock

Description

There are few Canadian stocks better for retirees than **Royal Bank of Canada** (TSX:RY)(NYSE:RY). Canada's largest bank by market cap, it's a staple of Canadian ETFs and mutual funds. If you're a passive Canadian investor, there's a good chance that RY is already in your portfolio, directly or indirectly.

Every **TSX** index fund–except for sector specific funds–is heavily weighted in RY stock. So, whether you know it or not, you probably already have exposure. But if you're looking for steady income in your portfolio in 2021, you should look into getting more.

High dividend yield

One of the main things RY stock has going for it is its high and growing dividend. At today's prices, it yields 4.17%, and has a dividend growth rate of 7.2%. This means that if you buy $100,000 worth of the stock now, you'll get $4,170 back every year in income–and that amount could grow over time.

For retirees, income is a highly desirable quality in an investment. When you're young, you have income from employment, and plenty of time to wait out market crashes. For this reason, a young person can afford to speculate a little on growth stocks. It's the opposite for retirees.

When you're retired, you need steady income on a regular schedule, to supplement the employment income you no longer have. High yield stocks like Royal Bank help you generate that income on autopilot–perhaps in an RRSP or TFSA.

An unbeatable track record

Royal Bank has one of the best dividend track records among Canadian stocks. It has paid its dividend every single year since 1870. That's a whopping 150-year track record. In that time, RY has reducedits dividend a few times, but never eliminated it, which means stock's dividend has stood the test oftime.

Among the best Canadian banks in 2020

Royal Bank's stock has done well over the years. The bank itself has done well too–comparatively speaking. In the third quarter, it fared better than any other Canadian bank, with earnings down only 1% year-over-year. In the fourth quarter, **TD Bank** took the crown, with 1% growth in adjusted EPS, but RY held its own.

All of the Canadian banks got hit hard by COVID-19 in the second quarter. Thanks to the pandemic, their loans got riskier, and they had to increase their PCL, sending earnings lower. Later, they were able to reverse their PCL, causing earnings to spike. In the current quarter, we're seeing a return to COVID-19 lockdowns after a few months' respite.

It's possible that Canadian banks like RY will be have to increase their loan loss reserves once more. We certainly aren't out of the woods yet. But RY has fared better than the average Canadian bank in the era of COVID-19.

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