1 Canadian Dividend Stock to Buy and Hold Forever

Description

Even though dividend stocks, especially if they have a non-existent or meager capital appreciation element, offer better returns as relatively long-term holdings, few of them deserve to be "held forever." They might not have enough financial stability to sustain or grow their dividends for decades.

But there *are* businesses with proven track records of financial stability and generosity with dividends and secure prospects that you can practically buy and forget about them for decades. And if they offer a decent amount of capital appreciation potential alongside dividends, the collective return over a few decades can be pretty significant.

One dividend stock that offers both a decent yield and growth potential is the king of the banking sector, the **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

The largest Canadian bank

Royal Bank of Canada is one of the largest, most stable financial institutions in North America and *the* largest in the country, at least when by market capitalization ($179.6 billion). It was also the largest company on the **TSX** until it was dethroned by the tech giant **Shopify**.

The bank has operations in about 36 countries, an impressive presence in the U.S., and 17 million clients. The bulk of its revenue (58%) is generated here in Canada, 26% comes from the U.S., and the rest comes from other international markets. That's a major plus for the bank.

RBC generates most of its revenue from personal and commercial banking (46%), but a decent portion of it comes from capital markets (28%) and wealth management (17%). It also has a decent range of mutual funds.

Even though the revenues grew in 2020, net income and cash earnings took a dive, but as per the results of the second quarter of 2021, the bank is turning things around. The banking sector of Canada is quite stable, and right now, it's at a key position in an economy that's recovering quite rapidly.

A stock worth holding

RBC is currently offering a modest 3.4% yield. If you had bought into the company when it was still trading in double digits, you wouldn't just have experienced a significant capital appreciation but would have also landed a more generous yield. And even though the stock isn't exactly expensive right now, it's also not a bargain from a valuation perspective.

Another reason to consider buying and holding RBC is its long-term growth potential. Its current 10-year compound annual growth rate (CAGR) is at 13.1%, but it's slightly skewed thanks to the recent spike in the stock value. But even if we stick to a relatively conservative number of 10% growth a year and you hold onto RBC for about three decades, you can turn a $10,000 investment into a robust $174,000 nest egg.

Foolish takeaway

Even though it's not precisely overvalued, it might be a good idea to wait a while before buying RBC. The bank, along with the others in the sector, was riding the wave of optimism to the top, and it might start normalizing in a quarter or so.

It's an evergreen stock, but even when you are thinking in terms of decades, taking advantage of a discount can go a long way.

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