



2 Top Canadian Banks to Add for Dividend Income

Description

There are many reasons investors choose Canadian banks as core portfolio holdings. These banks tend to provide extremely stable returns over time. Additionally, most banks provide [dividend yields](#) well in excess of where bonds are trading at right now

For those nearing or entering retirement, that sort of dividend income is important. These banks provide not only dividend stability, but also an impressive track record of growth over time.

Two of the top Canadian banks I think are worth of every investor's attention right now are **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). Here's more on why these bank stocks could be among the best dividend stocks to consider right now.

Canadian banks: Stability is key

One of the primary reasons investors choose to invest in Canadian banks is the stability these stocks provide. Indeed, barring any sort of serious economic crisis, banks are an amazing place to park one's money.

During long bull markets, such as the one that's been underway for some time, Canadian banks have outperformed. Of course, the pandemic provided quite a scare to this sector (and most, for that matter). However, Central Bank stimulus has propped up the economy, with lenders benefiting directly.

Accordingly, those bullish on the long-term landscape for Canadian banks will like TD and Royal Bank. These are among the two [largest banks in Canada](#) and some of the biggest banks globally. Thus, from a stability standpoint, there's a lot to like with these winners.

Dividend hikes are inevitable

As per the Office of the Superintendent of Financial Institutions (OSFI), a moratorium on dividend increases on Canadian banks has somewhat hurt the investment thesis for long-term investors.

Indeed, dividend growth is one of the key reasons investors choose to buy shares of TD or Royal Bank stock.

The predictability with respect to dividend hikes makes these bond proxies ultra-attractive. Accordingly, a moratorium on dividend hikes may leave some income investors looking elsewhere.

That said, I believe it's simply a matter of time for TD and Royal Bank to increase their dividends. Earnings and cash flows have exploded for both banks. This has led to a burgeoning cash pile Canadian banks don't know what to do with.

When U.S. regulators removed stipulations on U.S. banks, massive dividend hikes took place. I think a similar scenario will play out in Canada and remain bullish on these dividend stocks right now.

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)

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