



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

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is a staple of Canadian retirees' portfolios. The most heavily weighted stock in Canadian index funds, it has a lot of things going for it. Between high dividend income, a solid balance sheet, and a 164-year track record, it's a retirees' dream stock. In this article, I'll explain the characteristics that make Royal Bank of Canada such a staple of Canadian retirement portfolios.

### A 164-year track record

When you look at Royal Bank of Canada, the first things that jumps out at you is its extreme longevity. Founded in 1958, it is approximately 164 years old. For most of its 164-year history, RY has paid dividends. Unlike many foreign banks, it has never been at risk of failing. Finally, it has generally raised its dividend in addition to maintaining it.

Royal Bank hasn't raised its dividend every single year for the last 25 years. Canadian banks were barred from raising dividends in 2020, which cost RY its "Dividend Aristocrat" status. However, it has *paid* a dividend for more than 100 years. That's a track record of stability that you don't see very often.

### Conservative lending practices

It's one thing to say that a company has historically been very stable, but quite another thing to say that its track record will continue. Royal Bank of Canada could have all the stability in its past and lose the distinction if the wrong person takes over as chief executive officer in the future. So, we need a plausible reason for thinking that the Royal Bank will continue to be stable and dependable in the future.

As it turns out, we do have one: Canadian banking regulations.

Canada's banking sector is heavily regulated. Banks are overseen by the Federal Government, the [Bank of Canada](#), and other bodies. These institutions make regulations that prevent Canadian banks

from taking too many risks. For example, they regulate the amount of income a borrower needs to qualify for a mortgage of a certain size (the “mortgage stress test”). These regulations help ensure that Canadian banks stay safe. This factor applies to all Canadian banks, not just Royal Bank of Canada, but together with historical stability, it points to RY being a safe stock.

## Solid dividend income

Last but not least, Royal Bank of Canada offers very high [dividend income](#). At today’s price, it has a 4.01% dividend yield, which means that an investor gets \$4,010 in annual cash flow from every \$100,000 invested. That’s a decent income supplement. And for retirees, income is the name of the game. When you’re young, it pays to take risks in order to boost your lifetime return. When you’re older, income becomes a bigger priority, and bank stocks deliver that in spades.

To be sure, Royal Bank of Canada is similar to other Canadian bank stocks in that regard. But with its 164-year track record, it has stood the test of time in a way that few others have. On the whole, RY stock is an ideal pick for a retirement portfolio.

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