Which Is Better for Dividend Investors? Toronto-Dominion Bank vs. Canadian Imperial Bank of Commerce

Description

The **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and the **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) have a lot in common.

Both companies are storied financial institutions. Both have long track records of paying dividends. And unless Canadians start trading through barter, both firms will likely be rewarding shareholders for decades to come.

That's why it can be tough to choose between these two firms. So today, we're tackling the question: Which bank is a better bet for income investors?

Let's see how the two companies stack up on a range of measures.

Dividend history

TD has paid a distribution to shareholders every year since 1857. That's the third longest streak of consecutive dividend payments in North America. CIBC has a long track record of rewarding shareholders too, but the company has only been sending out cheques to investors since 1863. *Winner: TD*

Dividend growth

CIBC has hiked its dividend by about 5% annually over the past decade. That's great, but it's not as good as TD. The crosstown rival has raised its dividend by more than 13% per year over the same period. And given that the company is expanding at a much faster clip (see below), TD likely has more capacity for dividend hikes in the future. *Winner: TD*

Dividend yield

No contest here. CIBC yields 4.5%. That's a full percentage point higher than TD's 3.5% payout. So although TD is growing its distribution at a faster rate, CIBC is your best bet for current income. *Winner: CIBC*

Earnings growth

Falling oil prices have taken the punch out of the Canadian economy. Predictably for banks, that means fewer mortgages, higher loan defaults, and slower earnings growth. That said, TD has been betting big on the United States, where the business recovery is actually accelerating. As a result, analysts expect the Green Machine to crank out the biggest profit growth amongst its peers over the next five years. *Winner: TD*

Safety

During the 2008 financial crisis, CIBC got in over its head in toxic mortgage products. That earned it the nickname “the Cowboy of Bay Street.” But CIBC has since cleaned up its act. Incredibly, *Bloomberg Markets Magazine* has named the company the soundest bank in North America for two years running. *Winner: CIBC*

Valuation

Both stocks have sold off hard in recent weeks as worries about a slowing economy weigh on equities. Today, each company trades at roughly eight times forward earnings, which is below their historical averages and in line with peers. *Winner: Draw*

And the results are in…

As I said, TD and CIBC are both excellent banks. Both pay reliable dividends. Both deserve a place in any income portfolio. You really can’t go wrong buying either.

That said, TD’s long growth runway gives it the slight edge in my books. If you can only own one bank, this is the stock to hold.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CM (Canadian Imperial Bank of Commerce)
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