2 High-Yielding Dividend Stocks I'd Buy Right Now

Description

If you're in search of a great dividend stock to buy and hold for decades, then you've come to the right place. Let's take a closer look at two with yields of 4-6% that you could buy right now.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM), or CIBC for short, is the fifth-largest bank in Canada in terms of total assets with approximately $513.29 billion as of January 31, 2017. It provides financial products and services to over 11 million clients in Canada, the U.S., and around the world.

CIBC currently pays a quarterly dividend of $1.27 per share, representing $5.08 per share on an annualized basis, and this gives its stock a rich 4.3% yield at today's levels.

This +4% yield is easily confirmed as being safe by calculating CIBC's dividend payments as a percentage of its net income. In its three-month period ended on January 31, 2017, its adjusted net income attributable to common shareholders totaled $1.15 billion ($2.89 per share), and its dividend payments totaled just $493 million ($1.24 per share), resulting in a 42.8% payout ratio, which was well below its target of 50%.

CIBC is not only a high and safe yielder, but it's also one of the best dividend-growth stocks around. It has raised its annual dividend payment for six consecutive years and its quarterly dividend nine times in the last 10 quarters, and its recent quarterly hikes have it positioned for 2017 to mark the seventh consecutive year with an increase.

I think investors can continue to count on CIBC for dividend growth in the years ahead as well. As mentioned before, CIBC has a target dividend-payout ratio of approximately 50% of its adjusted net income, so I think its very strong growth, including its 7.6% year-over-year increase to $4.05 billion in fiscal 2016 and its 13.5% year-over-year increase to $1.15 billion in the first quarter of fiscal 2017, will allow its streak of annual dividend increases to continue for another seven years at least, making it my favourite investment option in the banking industry today.

TransAlta Renewables Inc.

TransAlta Renewables Inc. (TSX:RNW) is one of the world's largest owners and operators of clean energy infrastructure. Its portfolio of assets includes 18 wind facilities, 13 hydroelectric facilities, eight natural gas generation facilities, and one natural gas pipeline located in the provinces of British Columbia, Alberta, Ontario, Quebec, and New Brunswick, the state of Wyoming, and the state of Western Australia.

TransAlta Renewables currently pays a monthly dividend of $0.07333 per share, representing $0.88 per share on an annualized basis, which gives its stock a beautiful 5.6% yield at today's levels.

Confirming the safety of this 5.6% yield is as easy as checking TransAlta Renewables's most recent earnings release, because it provides a cash flow metric called "cash available for distribution (CAFD)" in each report. In its fiscal year ended on December 31, 2016, its comparable CAFD totaled $245 million ($1.10 per share), and its dividend payments totaled just $194 million ($0.88 per share), resulting in a 79.2% payout ratio, which was just below its target range of 80-85%.

Like CIBC, TransAlta Renewables has shown a dedication to growing its dividend. It has raised its annual dividend payment every year since its initial public offering in 2013, putting its streak of annual increases at three today. It has also stated that it will raise its dividend by another 6-7% once its South Hedland power station in Western Australia is commissioned in mid-2017, and this would allow 2017 to mark the fourth consecutive year in which it has raised its annual dividend payment and put it on pace for 2018 to mark the fifth consecutive year with an increase.

I think TransAlta Renewables's strong operational performance and growing asset base will allow its streak of annual dividend increases to continue in 2019 and beyond as well, making it one of the best long-term investment options in the energy sector today.

Is now the time for you to buy?

CIBC and TransAlta Renewables offer high, safe, and growing dividends, making them strong buys in my book. All Foolish investors should take a closer look at each and strongly consider making at least one of them a core holding today.

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:RNW (TransAlta Renewables)

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