2 Dividend-Growth Stocks for Your TFSA Retirement Fund

Description

Canadian investors are searching for attractive dividend-growth stocks to add to their Tax-Free Savings Account (TFSA) portfolios.

Let's take a look at **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks.

CIBC

CIBC just received shareholder approval for its takeover of Chicago-based **PrivateBancorp**. The company had to increase its offer two times to secure the deal, but the acquisition should turn out to be positive for shareholders in the long run.

Why?

CIBC refocused its efforts on Canada in the wake of the Great Recession. That move has been very profitable for the company in recent years, but pundits have become increasingly concerned that CIBC might get hit harder than its peers if the Canadian housing market hits the skids.

Adding an American bank to the asset mix helps diversify the revenue stream and positions CIBC to expand its presence in the U.S. market.

A meltdown in Canada would still hit the bank hard, but at least there is a larger U.S. hedge now.

CIBC trades at a significant discount to the other big Canadian banks. Some spread is expected given the perceived higher risk, but at 9.1 times trailing earnings, the stock is starting to look cheap.

The bank sector remains in a downward trend, so I wouldn't back up the truck just yet, but contrarian investors might want to start nibbling on further weakness.

The dividend should be safe and currently yields 4.75%.

Enbridge

Enbridge recently closed its $37 billion acquisition of Spectra Energy in a deal that creates North America's largest energy infrastructure company.

Spectra's strategic natural gas assets provide a nice complement to Enbridge's strong liquids pipeline operations.

The deal also bumped up the near-term development portfolio to $27 billion. Longer-term projects are valued at $48 billion.

As the new assets are completed and go into service, Enbridge expects cash flow to improve enough to support annual dividend growth of at least 10% through 2024.

Enbridge has a solid track record of raising its payout, so investors should feel comfortable with the guidance.

The dividend is paid quarterly and yields 4.5%.

Is one more attractive?

Both stocks should be solid long-term holdings for a TFSA retirement fund, especially if the dividends are used to purchase more shares.

Enbridge probably offers better dividend-growth prospects over the medium term, so I would likely give the pipeline operator the edge today.

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