2 Dividend-Growth Stars Yielding 4-6% I'd Buy Today

Description

One of the most successful investment strategies is to buy and hold stocks with track records of dividend growth. This is because a rising dividend is a sign of a very strong business with excellent cash flows and earnings to support increased payouts, and the dividends themselves really add up over time when reinvested.

With this in mind, let's take a look at two top dividend-growth stocks with yields over 4% 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 as measured by assets with approximately $528.59 billion as of April 31. It provides a wide range of financial products and services to over 11 million customers in Canada, the United States, and around the world.

CIBC currently pays a quarterly dividend of $1.27 per share, equal to $5.08 per share on an annualized basis, which gives it a yield of about 4.8% today.

As mentioned before, CIBC is a dividend-growth star. It has raised its annual dividend payment for six consecutive years, and its recent hikes, including its 2.4% hike in February, have it on pace for 2017 to mark the seventh consecutive year with an increase.

I think CIBC is a top pick for dividend growth going forward too. It has a dividend-payout target of approximately 50% of its adjusted net income, so I think its consistently strong growth, including its 11.7% year-over-year increase to $5.53 per share in the first half of fiscal 2017, and its growing asset base which will help fuel future net income growth, including its 10.6% year-over-year increase to $528.59 billion in the first half, will allow its streak of annual dividend increases to continue for the next decade at least.

Plaza Retail REIT

Plaza Retail REIT (TSX:PLZ.UN) is one of Canada's largest owners and operators of retail real estate, including strip plazas, standalone small-box retail outlets, and enclosed shopping centres. Its portfolio currently consists of 296 properties located across eight provinces that total approximately 7.8 million square feet.

Plaza currently pays a monthly distribution of $0.0225 per unit, equal to $0.27 per unit on an annualized basis, and this gives it a yield of about 5.7% today.

Like CIBC, Plaza is one of the best distribution-growth stocks in its industry. It has raised its annual distribution for 13 consecutive years, the second-longest active streak for a Canadian REIT, and its 3.8% hike that took effect in January has in on pace for 2017 to mark the 14th consecutive year with an increase.

I think Plaza will continue to provide its unitholders with a growing stream of monthly income in 2018 and beyond as well. I think its strong financial performance, including its 2.7% year-over-year increase in adjusted funds from operations (AFFO) to $0.077 per unit in the first quarter of 2017, and its improved payout ratio, including 88% of its AFFO in the first quarter of 2017 compared with 88.6% in the year-ago period, will allow its streak of annual distribution increases to easily continue into 2020s.

Which of these dividend stars should you buy today?

I think CIBC and Plaza Retail REIT represent two of the best long-term investment options in their respective industries, so take a closer look at each and strongly consider making at least one of them a core holding in your portfolio today.

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3. TSX:PLZ.UN (Plaza Retail REIT)

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Date
2025/08/29
Date Created
2017/05/25
Author
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