RRSP Investors: 2 Contrarian Dividend Picks for Your Retirement Portfolio

Description

Canadian savers are searching for attractive dividend stocks to add to their self-directed RRSP accounts.

default watermark

Many of the go-to names in the market are trading at expensive prices, but a few companies have come under pressure recently and might offer a nice contrarian opportunity today.

Let's take a look at **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Power Financial Corp.** (TSX:PWF) to see if they deserve to be in your portfolio.

CIBC

CIBC refocused its efforts on the Canadian market after the Great Recession. That decision has proven to be a very profitable one as Canadian borrowers have loaded up on debt to buy homes and finance renovations.

Now, investors are concerned CIBC might be overexposed to the Canadian economy, and the stock is falling as a result.

It's true that CIBC would likely take a heavier hit than its peers if the Canadian housing market crashes, but most pundits expect a gradual pullback in home prices, and CIBC's mortgage portfolio is capable of withstanding a hefty slide.

In addition, the company just sealed a deal to acquire Chicago-based PrivateBancorp, which will provide additional revenue diversification to help offset a potential slowdown in Canada.

CIBC currently trades at less than nine times trailing earnings. That's significantly cheaper than its peers.

The Canadian economy is doing well, according to reports from the IMF and the OECD, although both groups say the housing market poses a risk.

CIBC provides a dividend yield of 4.8% at the current stock price. The distribution should be safe, even if the economy hits a rough patch.

Power Financial

Power Financial is a holding company with Canadian positions in wealth management and insurance companies, and an ownership stake in a European holding company that has positions in some of the continent’s best global businesses.

Power Financial is also actively involved in the FinTech segment with investments in a number of companies, including one of the top “robo-advisers.”

Critics of the stock are concerned about the heavy reliance on mutual fund sales by subsidiary holding, **IGM Financial Inc.** (TSX:IGM).

IGM certainly faces challenges from the emergence of ETFs and FinTech players, but the company continues to deliver solid results.

On the insurance side, stocks in the sector have pulled back recently as expectations come down on the pace of future interest rate hikes in the United States.

default watermark

Insurance companies tend to benefit from rising interest rates because they can earn more on the cash they must set aside to cover potential claims.

Power Financial raised its dividend earlier this year. The yield is now 5%.

Is one more attractive?

Both stocks pay dividends that should be safe.

If you think interest rates will remain low and the Canadian housing market will cool down at a measure pace, CIBC might be worth considering as a contrarian pick today.

Otherwise, Power Financial is an interesting high-yield bet.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:IGM (IGM Financial Inc.)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/09/13
Date Created
2017/06/10
Author
aswalker

default watermark

default watermark