



Income Investors: 2 High-Yield Canadian Dividend Stocks on Sale Today

Description

Retirees are searching for top-quality dividend stocks to add to their TFSA portfolios.

In the past, GICs and savings accounts paid enough to meet the needs of many investors, but the current era of low interest rates means retirees have to search for other opportunities to get the yield they need.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Inter Pipeline Ltd.** (TSX:IPL) to see why they might be interesting picks.

CIBC

CIBC is more exposed to the Canadian economy than its larger peers, and investors are showing their concern through the price they are willing to pay for the stock.

CIBC trades for fewer than nine times trailing 12-month earnings. This compares to multiples of 11.7-12.8 for the other members of the Big Five banks.

Fear about the potential impact of a housing downturn is the main reason for the negative sentiment, but the extent of the concern might be overblown.

Why?

A large part of CIBC's Canadian residential mortgage portfolio is insured, and the loan-to-value ratio on the uninsured mortgages is just 55%. This means house prices would have to fall significantly before CIBC takes a material hit.

The Canadian economy is doing well, despite the troubles in Alberta, and interest rates are not expected to rise very quickly. As a result, many analysts see a soft landing in the housing sector.

CIBC is taking steps to ensure its revenue stream will be more balanced in the coming years. The company just secured a deal to purchase Chicago-based PrivateBancorp for \$4.9 billion.

The bank's dividend should be very safe, even if the Canadian economy hits a rough patch. The current payout provides a yield of 4.8%.

IPL

IPL owns natural gas liquids extraction assets, oil sands pipelines, conventional oil pipelines, and a liquids storage business in Europe.

The company has navigated the oil rout in good form, and management has even taken advantage of the downturn to add strategic assets at very attractive prices.

IPL continues to raise its dividend every year, and the \$3 billion in development projects the company is considering should provide ample cash flow growth to support further dividend hikes.

The stock is drifting down with the sell-off in the broader energy market, giving investors an opportunity to pick up a very attractive 6.3% yield at the current price.

IPL pays its dividend monthly.

Is one more attractive?

Both stocks are starting to look oversold, but I would probably make IPL the first choice today for an income portfolio. The yield is higher, and IPL probably offers better dividend-growth prospects in the medium term.

The monthly distribution is also a bonus for income-focused investors.

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