



Retirees: 2 High-Yield Canadian Stocks for a TFSA Income Portfolio

Description

Canadian retirees are searching for ways to get a bit of extra income out of their savings.

One popular strategy is to hold dividend stocks inside a Tax Free Savings Account (TFSA), where all of the earnings and potential capital gains are protected from the taxman.

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

Altagas Ltd.

Altagas owns gas, power, and utility businesses in Canada and the United States.

The company has grown over the years through a combination of organic projects and strategic acquisitions, and that trend continues.

In British Columbia, Altagas is expanding its Townsend gas processing facility and building a propane export terminal.

South of the border, Altagas is growing its presence through the \$8.4 billion purchase of Washington D.C.-based **WGL Holdings**, a diversified energy infrastructure company.

Management plans to sell its large-scale gas-fired power generation assets in California, along with smaller-non-core assets, to help finance the WGL deal.

As the new assets contribute to cash flow, Altagas expects to increase its dividend by at least 8% per year through 2021.

The company just reported strong Q2 2017 results and all three of its business segments are expected to drive annual growth in 2017.

At the time of writing, the dividend provides a yield of 7.25%.

CIBC

CIBC currently trades at nine times trailing earnings, which is a significant discount to its peers.

The reason lies in the company's high exposure to the Canadian market, particularly in the housing and energy sectors.

Investors are concerned a pullback in house prices might hammer the stock, so they are not willing to give CIBC the same multiple as its larger peers.

It's true that a meltdown would impact CIBC more than the other big banks, but the fear might be overblown. A large part of the mortgages are insured and the loan-to-value ratio on the remainder is low enough that things would have to get pretty bad before the bank takes a material hit.

In fact, CIBC said last year that it would see mortgage losses of less than \$100 million if house prices fell 30% and Canadian unemployment jumped to 11%.

The company recently made two acquisition in the U.S. to help diversify its revenue stream, and more deals could be on the way.

CIBC is well capitalized and the dividend should be safe, even if the Canadian economy hits a rough patch. The stock currently provides a 4.7% yield.

Is one more attractive?

Both stocks provide attractive dividends that should continue to increase.

At this point, Altagas generates a better yield, and likely offers better dividend growth over the medium term. As such, I would probably make the energy infrastructure company the first pick today.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:CM (Canadian Imperial Bank of Commerce)

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