2 Top High-Yield Dividend-Growth Stocks for Your TFSA

Description

Canadian investors are searching for quality stocks to hold inside their TFSA portfolios.

Using the TFSA is a great way to put some cash aside for retirement, especially when dividends are invested in new shares to take advantage of the power of compounding.

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

Enbridge

Enbridge closed its $37 billion acquisition of Spectra Energy earlier this year in a deal that added important gas assets to complement Enbridge's heavy focus on liquids pipelines. The takeover also created North America's largest energy infrastructure company and provided a nice boost to the capital plan.

In the months following the purchase, Enbridge increased its commercially secured development portfolio by another $4 billion and reported $31 billion in short-term projects as of the Q2 2017 earnings release.

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

Investors who buy today can already pick up a yield of 4.7%, so the returns going forward should be impressive, even if the stock price doesn't increase.

CIBC

CIBC has bounced off the recent lows, but the company still looks attractive.

Why?

CIBC trades at just over 10 times trailing earnings, which is a steep discount to its peers. Investors are concerned the company's exposure to the Canadian housing market is too big given the size of the bank, but the fear might be overblown.

While it's true that CIBC would likely get hit harder than its larger competitors in the event of a total meltdown in Canadian house prices, most analysts expect a gradual correction. CIBC is well capitalized, and the mortgage portfolio is capable of riding out a reasonable downturn in the market.

Management is taking measures to diversify the future revenue stream, including through two recent acquisitions in the United States. These purchases could be the beginning of a focused growth effort south of the border.

The company continues to generate strong profits and recently raised the dividend. CIBC currently provides a yield of 4.6%.

Is one more attractive?

Enbridge probably offers better dividend-growth prospects in the medium term, but CIBC is likely more attractive on a valuation basis.

At this point, it might be a good idea to split a new investment between the two names.

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