



2 Undervalued Canadian Dividend Stocks to Buy for Your TFSA Freedom Fund in 2018

Description

If you've got the extra cash, it'd be smart of you to make the full annual contribution of \$5,500 to your TFSA as soon as you can to get the most out of compounding. If you haven't thought of which stocks you should be adding to the core of your TFSA freedom fund, then you've come to the right place!

Canadian markets are substantially cheaper than those of the U.S., so it's a fantastic time to go bargain hunting for wonderful businesses with above-average dividend yields. To unlock the true power behind tax-free compounding, make sure you reinvest those dividends! Without further ado, here are two dividend stocks that I believe have a significant margin of safety at current levels.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#))

CIBC continues to trade at a discount to its peers in the Big Five, even after acquiring a much-needed growth foundation in the U.S.

For many Canadians who are concerned about Canada's frothy housing market, CIBC is the scariest of Canada's big banks, but I don't think these fears are warranted when you consider the most probable scenario for Canada's housing market is a gradual cool-down, not a violent collapse like many [dooms-dayers are projecting](#).

Given CIBC's promising long-term plan to become a more geographically diversified bank, I think investors would be wise to pick up shares while they're still discounted to the broader basket of bank stocks. In five years from now, I suspect CIBC will be trading more in line with its peers thanks in part to its U.S. expansion, as the company attempts to make up for lost time. In the meantime, you can enjoy the fat 4.2% yield.

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#))

Enbridge has had its [fair share of issues](#), but the remarkable takeaway from last year is the fact that management kept its promise of a 10-12% annual dividend increase with a new strategic plan, despite falling into tough conditions.

While many pundits may claim that Enbridge hasn't "earned" the right to hike its dividend, I believe the kept promise to shareholders will pay off in the long haul once the company is back on track, even though dividend hikes probably aren't the best use of cash at a time of difficulty.

Enbridge is a dividend-growth superstar with a solid reputation for consistent dividend hikes, and it's clear that this won't change in times of turmoil. That's a huge reassurance of stability for income investors!

At current levels, investors would be wise to back up the truck on a ridiculously cheap stock with its juicy 5.31% yield. I do not believe this sale will last long, as Enbridge continues to hike its dividend, which is already very bountiful!

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/09/12

Date Created

2018/01/08

Author

joefrenette

default watermark