2 Dividend Growth Stocks for a Buy-and-Hold Pension Portfolio

Description

The market downturn is giving RRSP and TFSA investors a great opportunity to pick up some of Canada's top dividend stocks at reasonable prices.

Let's take a look at **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) to see if they deserve to be in your retirement portfolio today.

CIBC

Investors often overlook CIBC when choosing a Canadian bank for their portfolios. Part of the reason lies with the bank's history of making big blunders, including massive write-downs on subprime loans during the financial crisis. Investors are also worried that CIBC is too exposed to a potential crash in the Canadian housing market.

It's true that CIBC would likely take a larger hit than its peers if Canadian house prices fall off a cliff, but most analysts predict a gradual pullback, and CIBC's mortgage portfolio is certainly capable of riding out some tough times.

The company continues to deliver strong results, with fiscal 2017 adjusted net income of $4.67 billion, compared to $4.1 billion the previous year. Management is working hard to diversify the company's revenue stream, including the $5 billion purchase of Chicago-based PrivateBancorp last year. The business was rebranded CIBC Bank USA and serves as a strong base to expand CIBC's presence in that country.

Investors have enjoyed a compound annual dividend growth rate of 6% over the past 15 years, and the trend should continue.

At the time of writing, CIBC trades for $112 per share, or about 10.2 times trailing earnings. That's becoming pretty cheap, and investors who buy the stock right now can pick up a solid 4.8% yield.

BCE

BCE has also dropped from its recent highs, trading at close to $55 per share compared to the $63 the stock fetched in December 2017. The market is concerned that rising interest rates could trigger a rush out of go-to dividend stocks such as BCE that attracted yield-seeking funds in recent years.

Some money could certainly shift to fixed-income alternatives, but it will be a while yet before a GIC offers the 5.5% return you get from BCE today.

The company made two acquisitions in the past year and also launched a new mobile business. The purchase of Manitoba Telecom Services bumped BCE into top spot in the Manitoba market. Inaddition, the company's recent takeover of AlarmForce gives BCE a portfolio of new services to offerits residential customer base.

BCE generates adequate free cash flow to support the generous dividend and is big enough to increase prices when additional funds are needed.

Is one more attractive?

Both stocks should continue to be solid buy-and-hold picks for a dividend-focused retirement portfolio. At this point, the two companies are starting to look oversold, so I would probably split a new investment between BCE and CIBC.

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1. Bank Stocks
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