



A Value Dividend Stock You Can Safely Own in Your TFSA

Description

Canada's Tax-Free Savings Account (TFSA) provide one of the best avenues to build your income portfolio. Millions of Canadians are using this vehicle to grow their savings by investing in different asset classes.

I always recommend adding some top-quality dividend stocks to your TFSA. Dividend stocks generally offer a much better rate of return than GICs and the government bonds.

There is no doubt that you take a higher degree of risk by investing in equities, but if you do your homework right and have a long-term investing horizon, then the payoff is much higher.

Let's have a look at [Canadian Imperial Bank of Commerce \(TSX:CM\)\(NYSE:CM\)](#) to see if the timing is right to add this dividend payer in your TFSA portfolio.

CIBC

For income investors focusing on the Canadian market, it's hard to ignore [Canada's top lenders](#). Their dominant market position, an environment where competition is limited, and their strong presence overseas make banks an ideal investment to earn growing dividends. On average, Canadian banks distribute between 40% and 50% of their net income in dividends.

In an economy in which interest rates are rising and the job market is robust, bank stocks are expected to show strong performance.

Among the top Canadian lenders, CIBC is the smallest. The lender has often been the target of speculators, who blame the bank for its aggressive mortgage lending in Canada where home prices have seen massive gains after a decade-long boom.

This perception and the bank's late entry in the U.S. have kept its shares undervalued when compared to other banks in Canada. So far this year, CIBC stock has fallen about 7% when compared to **Toronto-Dominion Bank**, for example, which has gained about 1%.

But I believe this weakness is a great opportunity for TFSA investors to pick its juicy 4.6% dividend yield, which is the highest among the major banks. The lender's business is on strong footings,

especially after its biggest-ever acquisition of Chicago-based PrivateBank last year.

The deal is helping CIBC to diversify its earnings away from the domestic market. In the first half of this fiscal year, CIBC earned \$272 million from U.S. commercial banking and wealth management, a five-fold increase from a year earlier. The U.S. operations are forecast to make up 17% of the bank's overall earnings by 2020, up from its current contribution of 10%.

The bottom line

CIBC is a reliable dividend payer. It has not missed a regular dividend since its first dividend payment in 1868. The bank pays \$1.33 a share quarterly dividend, which has grown 35% during the past decade. I see a significant upside in this payout now that CIBC has completed its major expansion in the U.S., and its earnings are likely to get a major boost. When compared to analysts' consensus price target of \$132 for the next 12 months, CIBC looks quite cheap at its current price of \$115.33.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners
5. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners
5. Top TSX Stocks

Date

2025/09/12

Date Created

2018/06/19

Author

hanwar

default watermark