Gen X Investors: 2 Canadian Dividend Stocks to Own in Your Retirement Portfolio

Description

Canadians in the middle of their careers are searching for creative ways to set aside some serious cash for their retirement years.

One popular strategy involves owning quality dividend stocks inside a Tax Free Savings Account or RRSP. Let's take a look at two Canadian stocks that might be of interest to give your retirement fund a boost.

TransCanada Corp. (TSX:TRP)(NYSE:TRP)

TransCanada is an energy infrastructure giant with $89 billion in assets spanning a number of segments, including natural gas pipelines, liquids pipelines, natural gas storage, and power generation.

The firm is based in Canada, but has significant assets in the United States, including the gas infrastructure that it acquired through its 2016 takeover of Columbia Pipeline Group. TransCanada is also a player in the Mexican market with a number of gas pipeline projects.

The $21 billion near-term development portfolio is expected to drive enough revenue and cash flow growth to support annual dividend increases of 8-10% through 2021. In addition, TransCanada is "advancing" $20 billion of longer-term opportunities.

The compound annual dividend-growth rate from 2000-2017 was 7%, so the outlook is improving on that metric. At the time of writing, the dividend provides a yield of 4.9%.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

Investors often bypass CIBC in favour of the larger Canadian banks, but the current valuation might be too cheap to ignore.

CIBC is working hard to diversify its revenue stream to ensure it isn't so reliant on the Canadian housing market. In fact, management made a US$5 billion acquisition in the United States last year to beef up the American presence. The purchase of Chicago-based PrivateBancorp Inc. gave CIBC a solid base on which to expand its operations south of the border, and investors could see more deals in the coming years, especially in the wealth management segment.

CIBC’s large Canadian mortgage portfolio puts it at a higher risk on a relative basis compared to its peers in the event that Canadian house prices crash, but things would have to get really ugly before the bank takes a big hit. CIBC’s current trailing 12-month price-to-earnings multiple of 10.2 suggests the market is expecting bad things to happen, but the fear appears a bit overdone.

The company is very profitable, and rising interest rates should provide a nice tailwind to earnings. CIBC maintained its dividend through the Great Recession, and has raised it significantly in recent years. At the time of writing, the stock provides a yield of 4.6%.

The bottom line

TransCanada and CIBC might not be the first names that come up as top picks around the water cooler, but they are solid companies with growing dividends that provide above-average yield.

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