



## TFSA Investors: Buy and Hold This Canadian Bank Forever

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is a household name in Canada. It has roughly 10 million clients, 1,000 branches, 44,000 employees, and \$600 billion in assets.

While its biggest growth days may be over, Canadian Imperial is still a perfect fit for TFSA investors.

### Stability equals visibility

Today, Canadian Imperial has some of the best credit ratings of any bank in the world. S&P rates the company A+, while Moody's, Fitch, and DBRS also grant the bank A ratings or higher.

While many investors ignore the value of pristine credit ratings during bull markets, it can make or break a bank during a crisis.

In 2018, the company posted its strongest balance sheet metrics in more than five years. Today, Canadian Imperial has a capital ratio of roughly 11%, higher than many of its peers. That level of reserves combined with its impressive credit ratings should allow the company to withstand any magnitude of economic turmoil.

Perceived stability is extremely important for any bank, as it can greatly increase the likelihood of depositors choosing a specific company to do business with. Typical, everyday depositors give banks reliable, low-cost forms of financing, plus create relationships to sell additional products such as business loans and wealth management services.

Since 2015, Canadian Imperial has grown its deposit base by nearly 20%. Today, deposits make up 27% of its entire funding base. This provides a virtuous cycle, where funding costs fall due to increased deposits, which improves stability, further increasing the bank's attractiveness to depositors.

### A dividend you can count on

Canadian Imperial has a dividend history few other stocks can match, especially banks. For more than 20 years, it has been paying out a consistently growing dividend. Not once has it cut its payout, even during the global panic of 2008 and 2009. It actually increased its dividend in 2011, less than 24 months after the crisis.

Today, Canadian Imperial stock yields around 5%. With its strongest balance sheet this decade, it would take an economic crisis bigger than anything experienced over the last 30 years or more to impact this payment.

In 2018, the company increased its dividend rate yet again to \$5.32 per share, up 5% from 2017 levels. Its dividend-payout ratio of 43% means earnings can fall by 50% and the payout would still be covered. The payout ratio is also at the low range of the company's 40-50% target.

## Management is confident about the future

Unsurprisingly, Canadian Imperial's management team is committed to sustaining and growing its dividend payment over the next few years.

"We want to make sure we can deliver on dividend increases that are well within our payout range," said CEO Victor Dodig on the company's latest conference call. And while the macroeconomic environment in Canada and beyond continues to lack visibility, he is confident the company will "achieve our earnings growth in our target range of 5-10%."

Looking at the company's growth opportunities, in addition to their history of execution, I'm inclined to agree with management's optimism. For example, four years ago, the company had \$0 in its wealth management business that derived from the United States. Today, it has over \$50 billion in assets under that business with positive fund flows.

While macroeconomic headwinds can impact any bank stock, Canadian Imperial is well positioned to handle anything that comes its way. With a 5% dividend and ample growth opportunities over the long term, this stock remains an ideal permanent position in any TFSA portfolio.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
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1. Editor's Choice

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