TFSA Income Investors: Is Inter Pipeline Ltd. (TSX:IPL) or CIBC (TSX:CM) Stock a Better Dividend Pick?

**Description**

Retirees and other income investors are constantly searching for ways to maximize the returns they can get on their savings.



One popular strategy involves owning dividend stocks inside a self-directed TFSA where all the distributions are protected from the tax authorities and won't count as income that could trigger a clawback in Old Age Security (OAS) payments.

Let's take a look at two high-yield stocks that recently raised their dividends and might be interesting picks for a TFSA income portfolio.

## Inter Pipeline (TSX:IPL)

IPL raised its dividend for the 10th straight year near the end of 2018. The current monthly payout of $0.1425 per share provides a yield of 7.9%.

The company reported solid 2018 results, with annual funds from operations increasing 10% to $1 billion compared to the previous year. Net income jumped 12% to $593 million, and the dividend-payout ratio was a reasonable 60%.

The company is making good progress on its $3.5 billion Heartland Petrochemical Complex and approved an $82 million pipeline expansion in Alberta. Overseas, IPL continued to build its liquids storage division in 2018 with the US$270 million purchase of NuStar Europe.

Revenue growth from the new projects should support ongoing dividend hikes in the coming years.

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

CIBC just raised its quarterly dividend from $1.36 to $1.40 per share. At the tine of writing, that's good for a yield of 5%.

Most of the Canadian banks reported weaker-than-expected results for fiscal Q1 2019, and investors will have to watch to see if it was a blip or if the challenging environment will continue.

That said, income investors with a buy-and-hold strategy might want to take advantage of the recent dip in the stock. CIBC trades at 10 times trailing earnings, which appears cheap given the company remains very profitable and delivered adjusted return on equity of 16% in the latest quarter.

The company is well capitalized, with a CET1 ratio of 11.2%, meaning it is capable of riding out any financial shocks that might be on the way. CIBC maintained its dividend through the Great Recession, so income investors should feel comfortable with the stability of the payout.

CIBC took an important step to diversify the revenue stream when it purchased Chicago-based PrivateBancorp for US$5 billion. Management has indicated more deals could be on the way south of the border.

## Is one more attractive?

IPL and CIBC both pay attractive dividends that should continue to grow. The two stocks remain out of favour today and could generate some nice capital gains once sentiment improves. At this point, I would probably split a new investment between the two stocks to secure an average yield of close to 6.5%.



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