2 Dividend Stocks to Boost Retirement Income

Description

Pensioners are searching for ways to get the best yield out of their retirement savings without taking on too much risk in the process.

Ideally, a zero-risk GIC would provide adequate returns, and yields have certainly improved with the string of interest rate hikes that occurred over the past two years. However, that trend appears to be waning, and the five-year GIC that briefly paid 3.5% late last year is now offered for closer to 2.5%.

As a result, dividend stocks are once again finding favour with income investors, and while most of the top names have rallied off the lows, many high-yield names with reliable distributions are still trading at attractive levels.

Let's take a look at two stocks that might be interesting picks right now for an income-focused portfolio.

Inter Pipeline (TSX:IPL)

Inter Pipeline generated record results in 2018 and the trend should continue this year and beyond.

The company reported a 10% gain in funds from operations to $1.1 billion and net income came in at $593 million, representing a 12% increase compared to 2017. Improved results in the natural gas liquids (NGL) processing division combined with a record 1.43 million barrels per day in pipeline throughput to help the company finish the year on a positive note.

IPL raised its dividend for the 10th straight year in 2018. The current annualized distribution of $1.71 per share provides a yield of 7.8%. The annual payout ratio was 60%, so the dividend should be very safe, even if the company hits a rough patch.

Regarding growth, IPL is making good progress on its $3.5 billion Heartland Petrochemical Complex. The site is expected to generate additional annual EBITDA of at least $450 million once it begins operation in late 2021. IPL also made an acquisition in Europe to boost its liquids storage business in the region.

CIBC (TSX:CM)(NYSE:CM)

CIBC is often viewed as being the risky bet among the Big Five Canadian banks due to its large exposure to the Canadian residential housing market. A rapid meltdown in house prices would certainly be negative, but the likely outcome is a soft landing and CIBC is more than capable of riding out some turbulent times.

In fact, the company maintained its dividend through the Great Recession, so investors should feel comfortable with the stability of the existing payout. At the time of writing, the dividend provides a yield of 5.3%.

CIBC has taken steps to diversify its revenue stream, including the US$5 billion purchase of Chicago-based PrivateBancorp. Management has indicated additional deals south of the border could be on the way, especially in the wealth management segment.

The stock currently trades for $106 per share, which puts the trailing 12-month price-to-earnings ratio at less than 9.5 times. Most of its larger peers are trading for 11-12 times earnings. A small discount is likely warranted, but the gap might be getting a bit stretched.

The bottom line

IPL and CIBC pay attractive dividends that should continue to grow. The two stocks appear oversold today, providing investors with an opportunity to pick up above-average yield and a shot at some nice upside when sentiment improves.

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