Attention Income Investors: 2 High-Yield Stocks to Own for Decades

Description

Investors are constantly searching for high-yield stocks to put in their self-directed income portfolios or retirement funds.

Chasing high dividend yields can come with risks, especially when they get above 7-8%, as this often signals concern in the market that the distribution is not sustainable.

There are, however, a number of companies that pay rock-solid and growing distributions that offer yields above 5%.

Let’s take a look at two stocks that might worth considering right now for a yield-focused portfolio.

BCE (TSX:BCE)(NYSE:BCE)

BCE is a giant in the Canadian communications industry with an extensive asset base that has the potential to interact with most Canadians on a daily basis. Every time a person in this country sends a text, makes a call, checks e-mail, streams a movie, downloads a song, watches the news, or listens to the traffic report, the odds are pretty good that BCE is involved somewhere along the line.

The company continues to invest billions of dollars to upgrade its world-class wireless and wireline network infrastructure, and this helps fortify its competitive moat and protect the revenue stream. BCE raised the dividend by 5% for 2019 and ongoing dividend increases should be in line with free cash flow growth, which is targeted at 7-10% this year.

The current payout provides a yield of 5.3%.

CIBC (TSX:CM)(NYSE:CM)

CIBC is the baby of the Big Five Canadian banks, but that doesn’t mean investors should ignore the stock. In fact, changes made in the past couple of years have resulted in a more balanced revenue stream and the market might not be appreciating the opportunities for growth.

The company spent US$5 billion to buy a Chicago-based bank in 2017 and additional deals could be on the way to build CIBC's commercial and wealth management presence south of the border.

CIBC has a huge Canadian residential mortgage portfolio, but fears about a potential meltdown in the Canadian housing market appear overblown and CIBC is well capitalized. As a result, the stock is likely undervalued. The shares trade for just 9.7 times trailing 12-month earnings, which is a big discount to the larger Canadian banks.

Dividend growth should continue at a steady pace and investors who buy the stock today can pick up a 5.1% yield.

The bottom line

BCE and CIBC are solid companies that pay attractive and growing distributions. If you are searching for above-average yield, these stocks deserve to be on your radar today.

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