TFSA Investors: 2 Attractive Dividend Stocks Paying 5-8% Yields

Description

Canadians are using their self-directed TFSAs to boost returns on their hard-earned savings.

Pensioners and other income investors are taking advantage of the tax-free status of the TFSA to boost their cash flow and limit the risks of being bumped into a higher tax bracket, as could be the case with distributions coming from investments held in taxable accounts.

Younger investors are turning to the TFSA to help them set cash aside for retirement. In this case, dividends can be used to acquire additional shares and take advantage of the power of compounding.

Let’s take a look at two high-yield stocks that might be interesting picks for your portfolio today.

CIBC (TSX:CM)(NYSE:CM)

CIBC is the baby of the Big Five Canadian banks and widely considered to be the one that carries the most risk due to its heavy exposure to the Canadian housing market. It’s true that a meltdown in house prices would likely hit CIBC harder than its peers, but the bank has a strong capital position and house prices would have to fall significantly before CIBC incurs any meaningful losses.

For the moment, homeowners are holding up well. Mortgage rates are falling again and the Bank of Canada has put its rate-hike program on the back burner, as it evaluates the effects of the rate increases that occurred in the past two years. This should remove some risk from the market. In addition, overall employment levels remain healthy in the country.

CIBC has diversified its revenue stream through a large U.S. acquisition, and that could provide a solid platform for additional deals south of the border.

The company generates solid earnings and dividend growth should continue in the coming years. The current payout provides a yield of 5%.

Inter Pipeline (TSX:IPL)

Inter Pipeline often flies under the radar of investors who are searching for an energy infrastructure stock to add to their portfolios, but this niche player in the industry probably deserves more respect.

The company has natural gas liquids (NGL) extraction facilities, oil sands pipelines, and conventional oil pipelines in Canada. It also owns a liquids storage business in Europe.

Throughput remains strong on the pipeline assets and rising prices bumped up margins in the NGL processing division last year, supporting record funds from operations and strong earnings.

On the growth side, IPL continues to find strategic tuck-in acquisitions and is making good progress on its $3.5 billion Heartland Petrochemical Complex. The facility, when completed in late 2021, is expected to generate annual average EBITDA of at least $450 million.

The stock appears oversold and investors who buy today can pick up a 7.7% yield.

The bottom line

CIBC and Inter Pipeline have bounced off the December lows but still trade at attractive levels and offer above-average dividends that should continue to grow.

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