TFSA Investors: 2 High-Yield Stocks With Safe Dividends to Boost Passive Income

Description

Income investors are constantly searching for high-yield dividend stocks that pay safe and growing distributions. Inside the TFSA, these payouts are tax-free and can go straight into your pocket.

Let's take a look at two stocks that might be attractive picks today to generate passive income in your TFSA portfolio.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is widely considered to be the risky pick among the Big Five Canadian banks. Part of the view comes from the bank's history of making huge blunders. The other concern is connected to CIBC's reliance on the Canadian housing market.

Management is working to diversify the income stream, including the US$5 billion acquisition of Chicago-based PrivateBancorp. As the U.S. operations grow, revenue from the division will help offset weakness in Canada.

A crash in the Canadian housing market is unlikely and the economy remains in good shape. CIBC is well capitalized and its mortgage portfolio is capable of riding out some tough times in the event the economy hits the skids and defaults start to rise.

CIBC continues to generate strong profits and is trading at an attractive level. A discount to its peers is expected, but the gap appears overdone right now. The board raised the dividend earlier this year, and investors who buy the stock today can pick up a yield of 5.4%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is North America's largest energy infrastructure company with pipelines, gas distribution, and renewable energy assets located in Canada and the United States.

Getting new, large pipelines approved and built is much harder today than it was in the past. As a result, some pundits might be concerned about Enbridge's long-term growth prospects. The difficulty the company is facing on its Line 3 Replacement project is a good example.

Overall, however, growth can still come from smaller add-on projects identified in the existing asset base. In addition, Enbridge has the size and financial clout to make strategic acquisitions.

The company raised the dividend by 10% for 2019 and another 10% increase is expected next year. Beyond 2020, investors should see the distribution grow at least 5% per year in line with anticipated increases in distributable cash flow.

The stock has pulled back a bit in the past three weeks, giving investors a chance to buy at an attractive price. The current payout provides a yield of 6.4%.

The bottom line

CIBC and Enbridge pay growing dividends with above-average yields and should be solid picks for an income-focused TFSA portfolio right now.

Other top TSX Index stocks are also worth considering today.

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