Income Investors: 3 Top Dividend Stocks Yielding 5-6% for Your TFSA

Description

Now that GIC rates are back down to unacceptable levels, income investors are seeking out reliable dividend stocks that offer growing payouts that provide above-average yield.

Let's take a look at three **TSX** Index stocks that appear reasonably priced today for a dividend-focused TFSA.

BCE

BCE (TSX:BCE) (NYSE:BCE) raised its dividend by 5% this year and comparable increases should be the norm. The company might not have growth that shoots the lights out, but it does find a way to steadily increase revenue and its free cash flow growth outlook of 7-12% for 2019 is certainly attractive.

BCE has the power to raise prices when it needs additional revenue. The company is also investing billions of dollars in its fibre-to-the-premises rollout to protect its competitive advantage in the market.

The stock isn't as cheap as it was last October, but investors should still be comfortable buying the shares today. You get a 5.35% yield and the share price could continue to drift higher as long as the market thinks Canadian and U.S. interest rates hikes will remain on hold.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is rarely the first bank stock that comes to mind for investors, and those searching for the safest pick might want to look at one of the larger Canadian competitors. However, as an income choice, CIBC deserves a closer look today.

The bank has made good progress in its efforts to diversify the revenue stream by making a US$5 billion acquisition in the United States. Additional deals south of the border, especially in the wealth management segment, could be on the way, which would provide more balance.

The big risk at home lies in the reliance on the Canadian residential housing market. CIBC has the largest housing loan portfolio relative to its size among the Big Five banks. In the event that the housing market tanks, CIBC would take a larger hit than its peers and the stock would likely suffer the biggest pullback.

That said, the risks of a crash have faded significantly and CIBC now appears oversold. The bank is still very profitable and falling mortgage rates should start to ease concerns. Investors who buy the shares today at $102 can pick up a 5.5% yield and should see dividend growth continue.

Power Financial

Power Financial (TSX:PWF) is a holding company with positions in a number of Canadian insurance and wealth management businesses. It also has a majority interest in the fintech disruptor Wealthsimple.

The company recently raised the dividend by 5% and announced a massive share buyback. The subsidiaries are generating solid profits and the current dividend provides a yield of 6.1%.

If you want a high-yield financial stock but don't like the banks, Power Financial is a good alternative.

The bottom line

BCE, CIBC, and Power Financial should continue to raise their dividends in the coming years. These stocks might not be the most exciting picks out there, but entertainment isn't a prime factor when seeking returns to complement your pension.

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