



1 Top Tier Banking Stock to Purchase Right Now

Description

The primary goal of income investors is to generate consistent, unfailing cash flow every year. Receiving or being paid big returns is the ultimate dream, which can be realized in the stock market. But you need to invest in a top-tier, high-yielding dividend stock. The pick could also be a [“buy-and-hold-forever”](#) stock.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), or CIBC, is one of the blue chip stocks on the TSX that fits the description of a top-tier, high-yielding, and buy-and-hold forever stock. As a blue chip company, CIBC is financially stable, can weather market crashes and pay timely, regular dividends.

Investment thesis

Canada's Big Five banks are considered [high-quality investments](#). Even investors in the U.S. prefer the stocks over domestic equities. CIBC is known for being the highest dividend-paying banking giant. The \$45.8 billion diversified bank is also considered as the most innovative and progressive Canadian bank.

Bonds and other investment instruments can produce cash flows from interest, though most income investors focus only on dividends. When a company distributes or pays part of earnings as dividends to shareholders, it forms part of the long-term returns. If you amass the dividends, the total could be more than a third of overall returns.

CIBC is a popular stock because the bank has a high dividend yield and offers moderate to high potential growth in capital; however, you'll certainly get big returns from the dividends. The bank's five-year average dividend yield is 4.51% and the current yield is 5.45%. CIBC also increased four times year over year.

An important factor that would indicate or validate whether the company can sustain paying dividends in the long-term is the payout ratio. The said ratio is the proportion of a company's annual earnings per share that is paid out as dividends.

The current payout ratio of CIBC is 47.98%. Therefore, the bank paid out that percentage of its trailing 12-month EPS as dividend. Investors can expect dividend growth. However, any future dividend increase will depend on CIBC's growth and payout ratio.

Future outlook

Income wise, CIBC is exhibiting consistent growth. The average net income over the last three years is \$4.750 billion with an average growth of 14%. At the close of the second quarter, the stock is up 4.0% with a potential upside of 11.15% based on analysts' forecasts. It appears that the forward-looking bank will end 2019 with a bang,

The solid earnings growth for this fiscal year is expected to continue in the coming years. CIBC is the stock made for income investors with long-term financial goals. The choice of this stock brings a lot of benefits. CIBC is a big and established bank with secure profits and the dividends are therefore safe.

As a blue chip company, you can hold on to the stock forever and not worry about dividend cuts. More important, the risks are mitigated even during adverse economic conditions like recession and trade war. No tech unicorn or high-growth business can match up to a strong dividend play like CIBC.

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2. Dividend Stocks
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