Attention Pensioners: 2 Top Dividend Stocks Paying 5-6% Yields Right Now

Description

It isn't often that you can buy a top dividend-growth stock and pick up above-average yield at the same time.

Let's take a look at two companies that might be interesting additions to your income portfolio today.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is Canada's fifth-largest bank and arguably the one that would take the biggest hit if the Canadian housing market rolled over in a big way.

A potential housing rout is one reason the stock trades at a discount to its larger peers, but the concern is likely overblown.

Why?

Mortgage rates have dropped significantly in 2019, providing new buyers with a better shot at getting into the market. This should start to show up in improved results. More importantly, the lower mortgage prices are helping existing homeowners renew at favourable rates. This trend is now expected to continue with the Bank of Canada and the U.S. Federal Reserve putting the brakes on their rate-hike programs.

CIBC has taken several steps in the past two years to diversify its revenue stream. The company just announced the purchase of boutique investment bank Cleary Gull. This follows the US$5 billion it spent to buy Chicago-based PrivateBancorp in 2017.

CIBC is very profitable and the dividend should continue to grow. At the current stock price of $102, investors are paying just nine times earnings and the distribution provides a yield of 5.5%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) spent most of 2018 working through a major transition that saw the company monetize about $8 billion in non-core assets and bring four subsidiaries under the umbrella of the parent company. The proceeds from the dispositions are being used to shore up the balance sheet and fund ongoing developments. Enbridge has about $16 billion in projects on the go and the company says distributable cash flow is expected to increase by 5-7% beyond 2020.

Enbridge has a strong track record of raising the dividend. The company hiked the payout by 10% in 2019 and intends to give investors a similar increase next year. The stock is down from $51 in late May to $47 per share. At this price, investors can pick up a solid 6.25% yield.

Is one more attractive?

CIBC and Enbridge should both be strong picks for a buy-and-hold income portfolio. At this point, I would probably split a new investment between the two companies, as the recent pullbacks in the share prices have likely gone too far. CIBC in particular appears quite oversold, while Enbridge offers a yield that is tough to turn down.

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