Retirees: 2 Low-Stress Dividend Stocks Yielding 5% for Your TFSA

Description

The plunge in GIC rates in 2019 has Canadian pensioners searching for reliable dividend stocks to generate above-average yield inside their TFSA income portfolios.

Let's take a look at two stocks that might be interesting picks for your buy list today.

BCE

BCE (TSX:BCE)(NYSE:BCE) has been a retiree favourite for decades.

The company enjoys a wide competitive moat in the cozy Canadian communications sector, which is expected to continue.

The nature of Canada's geography is such that it requires billions of dollars of investment to provide country-wide mobile, internet, and TV services to a relatively small population. This is a deterrent for foreign companies or new domestic players who try to enter the market.

As a result, BCE and its peers are in a good position to generate steady and reliable profits.

BCE continues to invest the capital needed to stay ahead of the pack. Its fibre-to-the-premises program is a good example of how it can keep customers by giving them high-speed broadband straight their homes and businesses.

BCE is targeting free cash flow growth of 7-12%, which is good enough to support another dividend hike next year. The company raised the payout by 5% for 2019. Investors who buy today can pick up a yield of 5.3%.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) trades at an attractive multiple and pays a solid dividend.

The bank has made good progress in diversifying its revenue stream through recent acquisitions in the United States. That trend should continue as strategic opportunities crop up in the private banking and wealth management sectors.

CIBC's large Canadian residential housing portfolio can weather a downturn in the property market. The drop in mortgage rates this year should help remove risk from the sector and even revive sales.

The company reported weaker-than-expected results for the first part of fiscal 2019, but could deliver a positive surprise in the coming quarters.

CIBC remains very profitable and is well capitalized. As such, investors can pick up a yield of 5.5% and potentially see a 20% gain in the share price when sentiment improves. CIBC trades at $102 right now compared to $124 last September.

The bottom line

BCE and CIBC pay reliable dividends that generate above-average yield and should continue to grow. Interest rate hikes are now on the shelf in Canada and the United States. In fact, the next moves could be to the downside, which would provide additional support to dividend stocks.

If you're searching for a way to boost returns on your TFSA retirement funds, these companies deserve to be on your radar right now.

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Date
2025/08/25
Date Created
2019/07/24
Author
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