TFSA Investors: This Bank Stock Will Soar on Rising Dividends

Description

Canadian investors should be on the lookout for reliable dividend payers like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) during this bear market. CIBC announced earnings for the quarter ended June 30 before the market opened on Thursday. The bank announced a rise in profits of 1% and a hefty dividend hike to $1.44 per common share.

Savvy investors who value high dividends and steady stock prices will want to increase their holdings of bank stocks. Financial markets are losing their minds right now on U.S. president Donald Trump's aggressive trade negotiation tactics and precarious federal reserve monetary policy.

Banks in developed economies — with the firm financial backing of the government — may be the safest place to store your savings and allow it to grow with the power of compound interest. If any stocks can make it through this market turbulence, it is the banks.

CIBC is a healthy stock with reliable dividend yields. Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) investors should feel comfortable entrusting their long-term savings to Canadian banks. CIBC's Basel III CET1 ratio stands at 11.4%, above the 4.5% minimum — indicating that CIBC is well capitalized against financial market fluctuations like those in fixed-income bond markets.

Well-capitalized banks are a relief for informed investors worried about financial market turbulence and falling asset prices.

CIBC grows dividends and profits

CIBC is renowned for being one of the most financially solvent banking institutions in the world. As a global institution with operations in the Caribbean, Asia, and Europe, CIBC is a well-diversified institution with over 10 million customers.

On Thursday, CIBC reported a return on equity for the quarter ended June 30 of 15.6%. Adjusted, diluted earnings per share (EPS) came in at $3.10 — a 4% increase over the same quarter last year and above analyst estimates of $3.06 per share.

With the dividend hike this quarter, at current prices, the dividend yield is now around 5.7%. TFSA investors should not miss out on a dividend that high in one of the world's most well-protected industries.

What's the catch?

There is no catch. Okay, so bad loans did offset some of CIBC's profit gains last quarter. Nonetheless, the banking sector tends to be well protected by the government. The government typically guarantees loan defaults. Thus, investors need not worry about the next financial crisis as long as they safeguard their money in a protected industry like banking or insurance.

Financial markets are scary right now, but Canadian investors should not worry excessively about their long-term investments.

Short-term savings should cover at least six months of expenses to get through temporary periods of hardship. After that, don't be afraid to take on what may seem to be "too good to be true" dividend yields in banking or insurance. It might be terrifying to see stock prices fluctuating and hear the news media talk about financial market disruptions. But that's the time that smart investors should be buying, not selling.

Stay calm and ignore what is going on in your portfolio. Open another account in which to make new investments and ignore your long-term retirement savings while the market is crazy. Like Warren Buffett says, "Be fearful when others are greedy and greedy when others are fearful."

In other words, the only way to get rich is to buy when everyone else is selling and wait patiently to sell until everyone else is buying.

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