Retirees: How to Boost Your Passive Income Every Year

Description

Low interest rates have pushed many retirees to move more of their savings from fixed-income investments to stocks, which are perceived to be higher risk.

Yet, here are **Enbridge** (TSX:ENB)(NYSE:ENB) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), which offer safety of current income and principal.

They are low-risk stocks with a strong track record of profitability and dividends. Furthermore, they're undervalued and, as a result, offer a margin of safety for current investments and higher dividend yields.

Enbridge

ENB stock is off 14% from its 52-week high. The large-cap stock offers a good balance of current income, value, and growth. At under $44 per share, it yields 6.7% and trades at about 7.5 times cash flow, which is about a 30% discount from its normalized levels.

The yield is at the high end of its history, because the stock is trading at a bargain.

ENB Dividend Yield (TTM) data by YCharts.

Enbridge has a portfolio that's primarily split between liquids and natural gas infrastructure assets, which have organic growth. The energy infrastructure leader has about $19 billion of secured growth projects in its pipeline (pun intended) that will largely boost growth over this year and next year.

Building on top of its 64-year dividend-paying history, Enbridge plans to increase the dividend by 10% next year. This implies a forward yield of 7.4%! It projects distributable cash flow growth of 5-7% after 2020, which will fuel future dividend hikes.

CIBC

[Stable businesses that generate a lifetime of earnings and dividends] are worth a whole lot, too. CIBC is such as business, but it's not on the stock market for a high price at the moment.

At about $102 per share, CM stock trades at only about 8.4 times earnings, which is roughly a 20% discount from its normalized levels. Over 17 years, the stock increased its dividend by 8% per year on average. Its five-year dividend-growth rate of 7.1% is not that far off.

The bank's adjusted earnings per share are down 1.5% for the first nine months of the fiscal year against the comparable period in fiscal 2018. However, it still increased its dividend by 5.9% year over year earlier this month. This indicates management is confident in the prospects of the bank.

The biggest drag on recent performance was the Capital Markets segment, which saw adjusted net income that was 18% lower over the comparable nine months in fiscal 2018. The main cause was a higher provision for credit losses.

The bigger picture is that CIBC is an undervalued solid income investment with a 5.6% yield. Its return on equity is still high at about 15%, and it is well capitalized with a Common Equity Tier 1 Ratio of 11.4%.

Investor takeaway

Boost your passive income immediately by buying undervalued Enbridge and CIBC for yields of 6.7% and 5.6%, respectively. Moreover, you can also expect dividend increases in the future.

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