



## Income Investors: 2 Top Dividend Stocks Yielding 5% for Your TFSA Pension

### Description

Canadian savers are using their Tax-Free Savings Account (TFSA) to hold quality [dividend stocks](#) as part of their retirement planning program.

The goal in retirement is to have a reliable income stream coming from various sources. This would include a company pension for people who spent their careers working at organizations with retirement benefits. Most seniors also receive CPP and OAS.

In addition, withdrawals from RRSP accounts or RRIF payments could be part of the mix.

A new option is the TFSA, which was launched in 2009, and currently offers Canadian residents as much as \$63,500 in contribution space. That's enough to start a decent [TFSA pension fund](#) that can generate attractive tax-free earnings.

Let's take a look at two dividend stocks that might be interesting picks right now.

### CIBC

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) raised its dividend after reporting solid fiscal Q3 2019 results. The company generated adjusted net income of \$1.41 billion, up about 1% from the same period in 2018.

Return on equity was strong at 15.6%, and the bank continues to maintain a healthy capital position with a CET1 ratio of 11.4%.

CIBC spent more than US\$5 billion in the past couple of years to build its presence in the United States. The purchases of The PrivateBank and Geneva Advisors give CIBC a strong platform in the United States to expand its commercial banking and wealth management operations.

The U.S. division delivered a 6% increase in adjusted net income in Q3 compared to the previous year. The strong results from the American operations could lead to additional deals, especially in the wealth

management segment.

The stock has rebounded in the past two months from \$99 to \$112 per share but still sits well below the \$124 it hit in 2018. Falling interest rates in the United States will put pressure on net interest margins, but the decline in bond yields in Canada and the halt of rates hikes in the country is giving the housing market a boost.

CIBC relies heavily on mortgages to drive revenue and should see strong results continue through 2020.

The stock appears cheap at less than 10 times trailing earnings. Investors who buy today can pick up a yield of 5.1%.

## BCE

**BCE** ([TSX:BCE](#))([NYSE:BCE](#)) has enjoyed a nice rally in 2019, supported by reduced expectations for rate hikes in Canada and the reversal in rate adjustments by the U.S. Federal Reserve.

What's the connection?

BCE uses significant debt to fund its large capital program. The company is spending billions of dollars to upgrade its wireless and wireline network infrastructure, including the installation of fibre optic lines directly to the premises of its business and residential clients in key markets.

Reduced interest rates drive down the cost of borrowing and potentially free up more cash flow to pay to shareholders.

Lower interest rates also increase the gap between the return investors can get from fixed-income investments and the yield they can pick up from top-quality dividend stocks, such as BCE. For example, a five-year GIC paid about 3.5% at this time last year. Now, investors are hard-pressed to get 2.5%.

As a result, more income investors are willing to take on some risk to get the additional returns. Heading into 2020, the downward trend in interest rates is expected to continue, and that should provide support for BCE.

The stock dropped from \$64 to \$61 in recent trading as a result of a weak earnings report from a major competitor. The dip might be overdone and has pushed the dividend yield up to 5.2%.

## The bottom line

CIBC and BCE pay growing dividends that provide above-average yield and should be solid TFSA picks for a buy-and-hold income portfolio.

If you are searching for attractive top-quality dividend stocks, these companies deserve to be on your radar.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BCE (BCE Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)

## **PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## **Category**

1. Bank Stocks
2. Dividend Stocks
3. Investing

## **Date**

2025/08/24

## **Date Created**

2019/10/24

## **Author**

aswalker

default watermark

default watermark