2 Incredible Dividend Stocks for Your TFSA

Description

If you're a Canadian looking to accumulate a substantial amount of money for your portfolio for retirement planning, there are several ways you can go about it.

One of the most attractive options for Canadians presented itself in 2009 with the launch of tax-free savings accounts. Canadian residents can contribute as much as $63,500 to their TFSA accounts.

While the contribution space itself might not seem like much initially, this is quite a decent amount to start a pension fund through your TFSA. TFSAs are an excellent way to build up a considerable retirement pension is that you can use it to generate tax-free earnings. If you start early, the wealth you can accumulate will see you through your golden years comfortably.

I'm going to discuss a dividend-paying stock that you can store in your TFSA for the long haul: **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

The bank's stock increases in value itself as time passes. You'll also get plenty of extra cash through healthy dividends from the bank, which it distributes to shareholders.

Imperial Bank

CIBC reported a reliable quarterly performance in fiscal Q3 2019. The company generated an adjusted net income of $1.41 billion. The figures were 1% higher than CIBC's adjusted net income for the same period last year. The bank also continues to maintain a strong capital position with a CET1 ratio of 11.4%.

In the past couple of years, CIBC spent over US$5 billion to establish a prominent presence in the neighbor, south of the border. The bank purchased Geneva Advisors and The PrivateBank. Both of these acquisitions provided CIBC the platform it needed to create a strong foothold in the United States.

CIBC has what it needs to expand wealth management operations and commercial banking operations in the lucrative market. In the domestic market, CIBC relies heavily on mortgages to drive the bank's revenue. The returns from mortgages should likely see robust results through 2020.

Potential short-term troubles

CIBC has an attractive dividend yield of 5.36% at the time of writing. That said, not everything is a bed of roses for CIBC right now. CIBC's exposure to rely heavily on the mortgages in domestic operations might see good results for the bank right now. The problem is that the lender's earnings are becoming weaker.

Another one of the negative catalysts that can hurt the banking stock is the rising provisions for bad loans. In the short-term, these are substantial factors that can affect the stock price; factor in potential instability due to the elections and at least a slight downturn is on the horizon for the Canadian banking sector.

At $111.76 a share at writing, we can already see it happening for CIBC.

Foolish takeaway

While the housing market in Canada was on the dip, there are clear signs that it will bounce back after the rough couple of years. CIBC will get through the short-term troubles, especially after the acquisition of PrivateBank.

The bank pays investors $1.44 per share every quarter. CIBC's dividends keep growing consistently, as well. These factors could make CIBC an attractive buy-and-hold option for your TFSA.

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