Passive-Income Investors: 2 Top Dividend Stocks for Your TFSA

Description

Retirees and other income investors are searching for ways to get the best return from their savings without taking on too much risk.

Ideally, we would also like to avoid giving a portion of the earnings to the tax authorities.

One popular strategy involves owning top-quality dividend stocks inside a TFSA. The full value of the distributions can be paid out to you without the earnings being counted toward income. This is especially important for seniors who are receiving Old Age Security and don't want to be hit with an OAS clawback.

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

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is a major player in the North American energy infrastructure industry with oil and natural gas pipelines, power generation, and natural gas storage facilities.

The company has grown its asset base from $26 billion in 2000 to the current level near $100 billion. The increase has come from a combination of acquisitions and organic projects, and that trend is expected to continue in the coming years.

In fact, TC Energy's current capital program includes $30 billion in secured projects that should drive cash flow growth that will support annual dividend increases of 8-10% through 2021. With a market capitalization of $61 billion, TC Energy is also large enough to make strategic acquisitions as the sector consolidates.

The stock should benefit from the recent trend toward lower interest rates. First, borrowing costsshould decline, leaving more money available for distributions. Second, income seekers areincreasingly turning to dividend stocks as alternatives to fixed-income investments that don't pay highenough returns.

The current quarterly payout of $0.75 per share provides an annualized yield of 4.6%.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is Canada's fifth-largest bank with a market capitalization of $51 billion.

The stock is often viewed as the riskiest pick amid the Big Five due to its large exposure to the Canadian housing market. It is true that a meltdown in home prices would be negative for the business, and the brief slump that occurred in 2018 showed up in the company's quarterly results.

However, CIBC has worked hard to diversify the revenue stream through more than $5 billion in acquisitions in the United States over the past couple of years. Additional deals could be on the way, and that would likely result in the market giving CIBC a better multiple.

At the time of writing, the stock trades at less than 10 times trailing earnings, which appears quite cheap. The bank remains very profitable and has adequate capital to ride out an economic downturn.

The recent rebound in the Canadian housing market should translate into solid results in the coming quarters.

The board just raised the dividend, so CIBC can't be overly concerned about the revenue and earnings outlook. Investors who buy today can pick up a 5% yield.

The stock has bounced off the August low around $98 to $114 but still sits well off the $124 it hit in 2018.

The bottom line

TC Energy and CIBC pay growing dividends that should be safe. The stocks offer above-average yields and appear reasonably priced today. If you are searching for passive income, these companies deserve to be on your radar for a buy-and-hold TFSA portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TRP (Tc Energy)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/09/06
Date Created
2019/11/05
Author
aswalker