2 Canadian Bank Stocks to Buy for Your Income Portfolio

Description

Canadian banks are a rich source of worry-free passive income. Ideal additions to a new stock portfolio geared toward growing dividends, or as buy-and-hold padding in a TFSA or retirement plan, both **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) would suit a long-term investor seeking low-maintenance financials.

A solid play for international growth

Scotiabank's dividend has been boosted every year for the last nine years. Currently yielding 4.7%, the passive income from this popular Big Five heavyweight could form the basis of a long-term basket of dividend stocks built around stable growth. For an RRSP or TFSA, new investors can't go wrong. Sure, the bank is exposed to the housing market and the risk of an international slowdown, but who isn't?

Scotiabank is also Canada's best play for large-cap, geographically diversified financials, boasting a customer base that takes in Canada, the U.S. and the rest of the Americas, plus the Caribbean and the Asia-Pacific region. Serving over 25 million banking customers, Scotiabank has a significant market share in one of the country's most secure industries.

For investors who like a business that grows through acquisitions, Scotiabank is the one for you. The Big Five lender has been snapping up assets across the Pacific Alliance as well as here at home, with approximately $7 billion funneled into a turbocharged expansion.

Given Scotiabank's track record for dividend growth, a long-term investor looking for low-maintenance stocks would likely return to their portfolio to find the banker among the top-yielding tickers on the TSX in years to come. The bank has stripped down its non-care assets while pulling in encouraging earnings.

The smallest of the Big Five packs a big punch

CIBC's dividend yield of 5% makes it the richest of the Big Five. Like Scotiabank, CIBC has grown its dividends consistently since 2010. It’s the smallest of the major Canadian banks, but ahead of National Bank of Canada. Far from treading water, though, CIBC recently splashed out on **PrivateBancorp**, mirroring Scotiabank’s drive for growth through acquisitions.

CIBC is also in non-core divestment mode, announcing Friday that it will be selling the majority of its stake in CIBC FirstCaribbean for $797 million. Post-sale, CIBC will hold around a quarter of FirstCaribbean’s shares. The sale will bolster CIBC’s bottom line and will be reflected in its 2019 fourth-quarter report.

It’s been a positive year for CIBC so far, with its Q3 seeing income up 1%, while its American operations grew by 6%. For income investors keen to see growth in their dividends over time, CIBC has shown a strong track record of dividend hikes including two in the last 12 months.

The bottom line

For growing dividends in one of the safest sectors on the TSX, these two Big Five heavyweights can deliver the goods. With rich sources of growth to be tapped and reassuring track records for dividend hikes, either Scotiabank or CIBC would be sound additions to a long-range investment strategy built around no-brainer wealth creation.

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