TFSA Investors: 1 Dividend Aristocrat to Load Up on While it's Cheap

Description

Canadian banks have always attracted investors. The Big Six are considered safe investments, even in tough economic situations. Another attractive factor of the Big Six is the dividend yield, and here, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) takes the crown. This is something that investors like you should consider, especially if you are sitting on a TFSA.

CIBC is a dividend king with a history of increasing its dividend for eight consecutive years and has the highest dividend yield of the Big Six: an amazing 5.13%. With a stable payout ratio of 48.83%, which has stayed below 50% for the past five years, and the bank's strong fundamentals, the dividend payouts might keep increasing in the future. It can be a great wealth-building opportunity for TFSA investors.

Value and growth

The current market value of CIBC is $114.28 per share. CIBC got back on its feet nicely from the yearly low of around $98 per share. And even though it has the history of lagging behind the others in the Big Six, the bank's last three-month growth of 13.8% has been the highest.

CIBC's trailing P/E ratio and forward P/E ratio is 10.02 and 9.25, respectively. Both are lower than the average P/E ratios of the Big Six, which means that the stock is currently undervalued compared to the industry. This might flash the buy signal for TFSA investors who want to invest in a reliable dividend stock and stand at a chance of doubling up the investments in under 20 years.

CIBCs P/B ratio of 1.45 also sits among the bottom three of the Big Six. The bank's return on equity of 14.32% is around the industry average.

CIBC's past five-year growth of 9.41% is not very impressive if you compare it to the banking sector in general. But the bank makes up for it by its stellar dividend history. Even in the worst economic conditions, the bank has never slashed its dividend payouts.

Stability and future

CIBC has been the target of short-sellers, just like the other Canadian banks — the reason being the predictions of market analysts that the Canadian property bubble is about to burst. And since CIBC has the most substantial stake in the local housing market, it is considered the most vulnerable.

Still, the bank continues its steady growth. In the third-quarter results, CIBC even managed to beat market expectations. If the housing market stabilizes, the bank might experience a growth boost from the very avenue that currently threatens to harm it. A strong predictor of CIBCs growth prospect is its U.S. expansion, which is expected to make up for a quarter of the bank's future revenue.

Foolish takeaway

CIBC's growth pace might not seem very impressive to many. But value investors like you should consider this steady growth as a mark of stability. Add to that the generous dividend payout, and you can get the best out of your TFSA with this Dividend Aristocrat. And since it's cheap, now might be the best time to consider buying into CIBC.

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