



2 Dividend Stocks Will Cut You a Fat Cheque Every 3 Months

Description

Veteran and novice investors benefit from dividend stocks, especially the shares of well-established companies with a good track record of paying dividends.

Dividends or a portion of the profits shared by companies to shareholders serve as a cushion when stock prices decline. It also presents an opportunity for capital gains when the price appreciates. Both ways, you receive [a steady income stream](#) from dividends.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) and **First National** ([TSX:FN](#)) are among the highest dividend payers in the financial sector. With both stocks paying quarterly dividends, you can expect to receive a fat cheque every three months.

Bank and non-bank lender

CIBC and First National are what you might call financial aristocrats, since both have a dividend-growth streak of more than five years.

CIBC is the fifth-largest bank in Canada but pays the highest dividend among all the Big Five. This \$48.94 billion banking institution is [a no-brainer buy](#). Paying dividends is customary or more like a 152-year tradition. Any investor buying shares of CIBC is adding stability to a portfolio.

Your income stream could be for eternity, given the bank's exceptional dividend track record. You'll be happy to note that CIBC has a dividend-growth streak of eight years. For the last five years, the dividend-growth rate (DGR) is 7.09%.

At the end of the fiscal year 2018, CIBC posted revenue of \$16.9 billion, with a corresponding net income of \$5.3 billion. Expect this bank stock to offer terrific value in 2020, as it further grows its U.S. business.

The size of First National is just 5% of CIBC, although the stock is not far behind in terms of dividend yield. This \$2.5 billion company is in the business of originating, underwriting, and servicing residential

and commercial mortgages in Canada.

Since its inception in 1988, First National has grown to be the largest non-bank lender in the country. The company facilitates homeownership through a broad range of mortgage solutions complemented by a simplified mortgage management process.

First National provides services via the mortgage broker distribution channel or online platform. The distribution channel originates about \$90 billion new mortgages annually. Only recently, the **Manulife** bank tapped First National to provide the mortgage underwriting processing services to it.

Earning potential

CIBC offers an annual dividend of 5.29%, while First National pays 4.67% yearly. Both pay dividends every quarter. For purposes of illustration, let us assume you invest \$10,000 in each stock.

From the dividend of CIBC, your monthly bonus would be \$44.08. First National will pay you \$38.92. Your total monthly income from both comes out to \$83. Since the stocks disburse the dividends quarterly, the cheque amount due you is \$249.

The quarterly income is a significant boost to your earnings. However, you still have the opportunity to make more money from out of the dividends. If there's no immediate need for the money, you can reinvest the dividends to realize the compounding effect. Over time, your quarterly earnings amount will be significant.

Quarterly bonanza

You can preserve your capital and receive a quarterly bonanza in 2020 by taking a position in CIBC and First National today.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. Editor's Choice

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:FN (First National Financial Corporation)

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