TFSA Investors: 2 Dividend Stocks to Buy and Hold Forever

Description

A Tax-Free Savings Account (TFSA) is a great way to store stocks that you don't want to be checking on every day or even every month. It's an ideal place to put dividend stocks that can sit and accumulate and perhaps even grow their income over the years.

The two stocks listed below could be great candidates for such a purpose, as they offer strong dividend yields and are stable businesses that shouldn't provide your portfolio with much volatility along the way.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is a solid investment option for many reasons. The biggest one for dividend investors is that the stock currently has a dividend yield of 5.2%.

What makes the stock an even hotter buy is that investors who buy CIBC can be relatively safe in assuming that the bank's payouts will continue to rise over the years.

Currently paying investors a quarterly dividend of $1.44 per share, those payments have risen by more than 10% from two years ago, when the stock was paying its shareholders $1.30 per share, which averages out to an increase of 5.2% per year. In recent years, the bank has increased its dividend multiple times over a 12-month period.

While it's not a terribly high increase in dividends, it will more than offset any impact inflation will have on your returns. With CIBC's dividend already been over 5%, any increase is a big bonus as typically investors have to take on a fair bit of risk to be earning this high of a yield.

If the bank continues raising its payouts at more than 5% per year, it will take about 14 years for investors to see their dividend income double.

Add to that the inevitable capital appreciation that will come along with all that dividend income and investors could be in store for some very strong returns. The past five years, however, haven't been particularly strong for CIBC's stock as it has risen just 9% over that period.

Emera Inc (TSX:EMA) is an alternative option for investors who want more growth out of their investment. In five years, Emera's share price has risen by around 45%, eclipsing the CIBC's performance.

Acquisitions have helped fuel the company's growth in recent years, as they've sent Emera's top line rise from $2.8 billion in 2015 to more than $6.5 billion in 2018.

Last year, however, the company's sales grew by just 4.8%. But with operating income of $1.4 billion in each of the past two years, Emera's been averaging a very solid operating margin of more than 20%.

If it can maintain that while acquiring further companies to expand its growth, there could be a lot more potential for the stock to rise over the long term.

In addition to growth, Emera is also a great dividend buy. Currently, the stock yields 4.4% and recently announced that its annual dividend payments would be rising from $2.35 per share to $2.45 for an increase of 4.3%.

The company also announced that it would be extending its guidance for dividend growth, now expecting to increase dividend payments by 4% to 5% until 2022. However, that could extend longer if Emera continues generating strong results.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:EMA (Emera Incorporated)

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