Income Investors: 2 Dividend Stocks for a TFSA in 2020

Description

Canadian investors are searching through the **TSX Index** to find top dividend stocks that deliver decent yield with a shot at some nice gains in the stock price in 2020.

Let's take a look at two stocks that might be interesting picks for a self-directed TFSA fund right now.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is Canada's fifth-largest bank and is often cited as the one that carries the most risk in the event the Canadian economy hits a rough patch.

The reason lies in the bank's large exposure to the Canadian housing sector. CIBC has the largest residential mortgage portfolio relative to its size and a crash in house prices would definitely be negative.

That said, the fears might be overblown. CIBC has invested more than $5 billion in the past two years to boost its presence in the United States.

The American operations now account for 17% of net income and more deals could be on the way. Management has indicated that it would consider increasing the wealth management side of the business south of the border.

A drop in interest rates in the United States and a rate-hike pause in Canada contributed to a bond rally in 2019 that led to lower fixed-rate mortgages, which allowed more people to get into the market and helped existing mortgage holders renew at favourable rates. As a result, there's less near-term risk of a wave of defaults on house payments.

CIBC has a strong capital position and continues to generate solid profits. At the time of writing, the stock trades at a cheap 9.8 times trailing earnings and offers a 5% dividend yield. The distribution should be safe and investors could see some upside in the share price over the next 12-months.

Telus

Telus (TSX:T)(NYSE:TU) is a leading player in the Canadian communications industry providing clients across the country with world-class wireless and wireline services including mobile, TV, and internet subscriptions.

Telus puts a heavy emphasis on customer service and the effort shows up in the results. The company normally reports the lowest post-paid mobile churn rate and is seeing steady subscription growth across its service offerings. Acquiring new customers is expensive, so the low churn rate is important.

Telus doesn’t own a media business, but it is investing significant funds to build out its Telus Health division. The group is a leader in the digital transformation of the Canadian health sector, providing doctors, hospitals, and insurance companies with digital solutions to make their services more efficient.

Telus also owns a network of private healthcare facilities that provide services to corporations and wealthy families. The company uses its new technology in these locations. In the coming years, investors could see Telus Health become a key driver of revenue.

Telus has a long track record of dividend growth. The current payout provides a yield of 4.6%.

The bottom line

CIBC and Telus are top-quality dividend stocks that pay growing distributions and offer above-average yield.

If you are searching for reliable income inside a TFSA, these stocks deserve to be on your radar.

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2. NYSE:TU (TELUS)
3. TSX:CM (Canadian Imperial Bank of Commerce)
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