TFSA Investors: 3 Great Dividend Stocks Yielding up to 6.3%

Description

Looking for tax-free income to help pay the bills? Start with this diversified mix of great dividend stocks.

CIBC

The recent pullback in **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) offers great value and income. It trades at only 9.2 times earnings. It has increased its dividend by 63% in the last 10 years, equating to an increase of 4.9% per year.

Currently, the stable bank offers a quarterly dividend of $1.44 per share, which equates to an annualized payout of $5.76 per share. It's good for a yield of 5.2%, which is the biggest among the Big Six Canadian banks.

CIBC's recent payout ratio is about 48%. So, there's a big margin of safety for its dividend. Even when earnings temporarily fall in a recession, it should be able to keep its dividend safe.

The bank has been very profitable with consistent returns on equity of about 14-21% in the last 10 years. In fiscal 2019, its adjusted return on equity was 15.4%.

Low interest rates are a near-term negative impact for the bank. However, longer term, it aims for an earnings-per-share growth rate of 5-10%.

If CIBC yields 5.5% or higher (a price target of $104.72 or lower based on the current quarterly dividend), back up the truck to lock in a high and safe yield!

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) stock dipped +7% from its high. It's a good opportunity to start with a generous yield of 5.9%.

The retail REIT has maintained or increased its cash distribution for the last 14 years. With a conservative payout ratio of 80%, it has room to increase its cash distribution next year.

There's huge negativity around retailers. If retailers go bankrupt, retail REITs will be troubled and have to look for new tenants.

However, SmartCentres's 157 properties are largely anchored by a grocery (likely a **Walmart**) or a pharmacy, which drive foot traffic to its locations. As a result, it has been able to maintain an industry-leading average occupancy of 98%.

Other than Walmart, its other large tenants include recognizable names such as **Canadian Tire**, Shoppers Drug Mart, Safeway, and **Lowe's**. Its portfolio of quality real estate assets has an average lease term of about five years, which allows the REIT to generate stable operating cash flow to support the cash distribution.

SmartCentres REIT has identified 256 projects across 94 properties for intensification opportunities. These projects have a clear focus on residential, including apartment rental suites, condos, townhouses, and seniors' residences. Other projects include self-storage properties, office buildings, and hotels.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is the best big-yield dividend stock in the energy sector. It has the dividend-growth track record to prove it — 23 years of consecutive dividend increases, including a 15%-per-year increase in the last 10 years.

Its most recent dividend hike was 9.8%. Investors holding the stock will receive the bigger dividend in March 2020. The new quarterly dividend of $0.81 per share equates to an annualized payout of $3.24 per share, which is good for a juicy yield of 6.3%.

This yield is 2.4 times the GIC rate of about 2.6% today! Moreover, the dividend is expected to grow roughly 5-7% per year in the foreseeable future, supported by similar distributable cash flow growth. Steady price appreciation will also occur as a result of growing cash flows and dividends.

Enbridge is easily a much better deal for long-term investment than GICs, which don't have any growth components.

The recession-resilient stock has cash flows, which remained intact or even growing during the last recession and energy price collapse. So, ENB stock shareholders can sleep well at night.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)
5. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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