1 High-Yield Dividend Stock Has Everything You Need to Get Rich

Description

Investors often come across the axiom, “It only takes one great investment, held for a very long time, to change your fortune forever.” Holding ownership of a blue-chip stock for decades can indeed make you rich. However, the chosen company should possess everything to make it possible.

You can take the business-like approach and invest in **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). In due course, you can generate ever-growing earnings from the fifth-largest bank in Canada. You’re not putting your capital risk but protecting it with a single stock.

Most generous big bank

CIBC is the highest dividend payer among the so-called Big Five Canadian banks. This $48.21 billion banking institution pays a hefty 5.33% dividend. Assuming you have $300,000 investible funds and are willing to lock it in for 25 years, your money would be worth nearly $1.1 million by maturity date.

If you plan to live off the dividends during retirement, the $1.1 million can generate $58,630 in annual income. It assumes too that CIBC maintains the same yield. What strikes investors the most about CIBC is that this bank stock started increasing dividends following the end of the 2008 financial crisis.

CIBC can boast an eight year dividend-growth streak, the growth rate of which over the last five years is 7%. Likewise, the bank maintains a payout ratio of not more than 50%.

Geographic diversification is underway

Some analysts are not too pleased with CIBC’s performance the past year. As of this writing, the bank stock is trading at $108.23, which is only an 11.9% gain from the same date in 2019. Hedge fund managers called out the bank for its significant exposure to domestic mortgages as well as consumer debt.

The problem is compounding, as the Canadian housing market is on the verge of overheating while consumer debt is steadily rising. These are the two main reasons for the drop in investors' interest. On the opposite side, however, other analysts view CIBC as one of the contrarian buys in 2020.

CIBC is aggressively making an effort to expand and grow its market share beyond the markets in Canada. This bank is gearing up for future growth, as it pursues acquisitions in the United States. Business improvement should come in the near term once CIBC gains traction across the border.

What's important right now is that CIBC is displaying geographic diversification, even if only the commercial banking division is active. Its U.S. wealth management business grew slightly in Q4 2019, while U.S.-originated net income rose to $180 million.

High but safe dividends

CIBC shouldn't be dismissed outright as an uninteresting investment prospect in 2020. Keep in mind that throughout its existence, the company hasn't missed a dividend payment for more than 150 years. For this reason, I see CIBC as an inexpensive investment that is offering high but safe dividends.

I would even regret not buying the stock today if the analysts' forecasts prove accurate. They see the price climbing from $108.23 to $121 in the next 12 months. CIBC remains capable of delivering a fat quarterly cheque to would-be investors.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/09/08
Date Created
2020/01/08

Author
cliew