TFSA Investors: 3 Safe and Cheap Dividend Stocks to Buy in 2020

Description

It's great to hold dividend stocks if you need additional income to pay for daily expenses or if you're saving for something like a trip. It's even better to hold dividend stocks in a TFSA, as your dividends won't be taxed.

The following three stocks have a dividend yield of around 5%, which is high. In addition, they trade at a low price, so it's time to buy these quality dividend stocks.

Power Corporation of Canada

Power Corporation of Canada (TSX:POW) is a diversified international management and holding company with interests in financial services, asset management, renewable and renewable energy companies, and other industries.

Through its subsidiary, **Power Financial Corporation**, it holds interests in companies in the financial services sector in Canada, the United States, and Europe.

Investors who hold Power Corporation shares in 2019 must be very happy, as the stock returned an impressive 42%. Plus, Power Corporation pays a big dividend that will give you a nice extra income. The company currently pays a quarterly dividend of $0.405 per share, for a dividend yield of 4.8%.

Power Corporation last increased its dividend in June. The dividend was hiked by $0.023, or 6%. We can expect the next increase to happen in June 2020, as Power Corporation has been increasing its dividend in June for several years.

On December 13, Power Financial agreed to a merger with its parent company. The deal should close in the first quarter of 2020. This merger will eliminate administrative costs in the order of $50 million, as well as save $15 million in finance charges.

Power Corporation's revenue and EPS are estimated to grow by 16.5% and 10.6%, respectively, in 2020. The stock has a forward P/E of only 10.

Great-West Lifeco

Great-West Lifeco (TSX:GWO) is an insurance-focused financial holding company that operates in North America, Europe, and Asia through five wholly-owned subsidiaries in regional vocation.

The international financial services company has interests in life insurance, health insurance, retirement and investment, asset management and reinsurance businesses. Great-West had a return of 20% in 2019, which is very good for an insurance company.

By buying this stock, you'll receive a quarterly dividend of $0.413 per share, for a nice dividend yield of 5%. The company last increased its dividend in March 2019, hiking it by 6%.

We can expect the next increase to occur next month, as Great-West has been increasing its dividend once a year in February for quite some years.

Revenue and EPS are estimated to grow by 11.6% and 8.8%, respectively, in 2020. Great-West stock is cheap, with a forward P/E of only 10.5.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the smallest of Canada's Big Five Banks. From personal, business and commercial banking to wealth management and capital markets businesses, this bank provides a full range of financial products and services to 10 million customers in Canada, the United States and around the world.

Buying and holding a Canadian bank stock for many years in a TFSA is a good way to earn steady returns, as Canadian banks are financially solid.

While the other big banks have a dividend yield between 4% and 5%, CIBC beat them with a dividend yield of 5.3%. So, if you're looking for high dividend income, CIBC is the bank stock to buy.

The bank currently pays a quarterly dividend of $1.44 per share at writing. The last dividend hike was in October 2019, when the dividend was raised by 3%. CIBC usually increases its dividend twice a year. With a forward P/E of only 8.6, the stock is cheap.

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:GWO (Great-West Lifeco Inc.)
4. TSX:POW (Power Corporation of Canada)

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