2 High-Yield Dividend Stocks to Stash in Your TFSA for Decades

Description

If your plan is to capitalize on the power of compounding, time is your best friend. The more of it you have, the better. It would therefore make sense to hold some stocks in your Tax-Free Savings Account (TFSA) that you can buy and hold onto for decades.

To achieve that, you have to buy into good companies with decent dividend-paying history and a good chance of reasonable growth.

Two such companies are **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Alaris Royalty** (TSX:AD). Both are Dividend Aristocrats offering juicy yields right now.

Smallest of the Big Five

CIBC is the smallest bank among the Big Five, with a market cap of $48.17 billion and total assets of $597.1 billion. The bank reported the best earnings-per-share among the Big Five, at 11.19.

Similar to all the others in the Big Five, CIBC enjoys the benefits of an oligopoly, and the stability offered by the world's safest banking sector.

The smallest of the Big Five takes the lead in the dividend yield. CIBC offers a very juicy yield of 5.34%. The bank has a stellar history in increasing dividends for nine consecutive years.

The rate of increase is decent enough. CIBC increased the payouts from $4.42 per share in 2015, to $5.76 per share now, which means that $25,000 in CIBC in your TFSA will get you about $111 per month.

Currently, the bank is trading at $108.15 per share, the highest rate among the Big Five. Still, with a price-to-earnings of 9.66 and a price-to-books of 1.35, it's relatively the most undervalued one.

A capital market company

Alaris Royalty has a relatively different model than conventional private equity firms. Rather than buying a business solely to sell it to reap the benefits, Alaris allows the companies it buys to keep control of the company.

Rather than buying preferred voting shares, Alaris buys non-voting preferred shares that allow a company to get the capital it needs, without having to share control with Alaris.

This strategy has been working well for Alaris. The company has an amazing profit margin of 62.72% and increased its net income by 9.6%.

But the best thing for Alaris's investors is the mouth-watering dividend yield of 7.41%. A $25,000 stake in Alaris will get you over $150 a month. If Alaris keeps its payouts up, it will pay back your original investment in about 14 years through dividends alone.

Currently, the company is trading at $22.28 per share at writing — a 24% increase in market value from the same time last year.

Foolish takeaway

High-yielding stocks, especially when coupled with growth prospects of both dividends and capital gains, are amazing to have in your TFSA.

Companies like Alaris and CIBC are the type of companies that you can buy, stash in your TFSA, and forget about. The companies will be slowly building up your wealth over time. If you manage to let them be for decades, you will have a sizable enough nest egg in your TFSA.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:CM (Canadian Imperial Bank of Commerce)

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/23

Date Created
2020/01/25
Author
adamothman