2 Top Dividend Stocks With Yields of 5%

Description

The stock market has been in a correction mode this week, falling about 5% so far, which has investors worried that more may be coming.

If you hold dividend stocks that have underlying businesses that churn out earnings or cash flows no matter what, then you really don't need to worry about what the stock market will do.

In fact, the stock market correction gives you the perfect opportunity to buy quality dividend stocks for higher dividend yields. Right now, investors can look into buying these top dividend stocks with yields of 5% or higher.

CIBC for a 5.5% yield

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has been an excellent dividend stock for current income. It just increased its quarterly dividend by 1.4% to $1.46 per share, which equals an annualized payout of $5.84 per share. On a trailing 12-month basis, CIBC stock increased its dividend by 5.3%.

As a result of the dividend hike, the stable bank stock now offers a yield of almost 5.5%. This is a much better deal than parking your money in a GIC, as long as you are comfortable with the volatility of the CIBC stock price, which had a recent beta that roughly matches the market's.

For the first quarter of fiscal 2020, CIBC reported adjusted earnings per share of $3.24, which was 7.6% higher year over year. The adjusted return on equity was also strong at 16.1%.

Additionally, its credit quality improved with lower provision for credit losses on both performing loans and impaired loans.

CIBC stock is the cheapest Big Five bank you can get your hands on today! At about $107 per share at writing, it trades at a price-to-earnings ratio of only nine.

Pembina Pipeline for a 5% yield

Investors will love **Pembina Pipeline's** (TSX:PPL)(NYSE:PBA) monthly dividend. The 5% yield is supported by a stable energy infrastructure business that has a highly integrated set of assets, which have served the North American energy industry for 65 years.

About 85% of Pembina's adjusted EBITDA is fee-based, which means its cash flows are largely based on the volumes transported with little commodity price risk. This results in cash flows that are highly stable to support its monthly payout that has steadily increased since at least 2000.

Pembina Pipeline stock has been a Steady Eddie wealth builder for its shareholders. Since 2007, right before the last market crash, the stock has delivered annualized total returns of more than 12%, which handily beat the average market returns of 7%.

The company has $5.6 billion of commercially secured projects and another $10.5 billion of potential projects to further grow the business.

The market can further pull the stock down to the $47-48 per share level, at which time it would be an even better buy for a yield of about 5.3%.

Investor takeaway

Don't be afraid of market corrections. Rather, view them as opportunities to buy quality dividend stocks like CIBC and Pembina Pipeline for juicy yields.

Right now, you can lock in initial dividend income of $525 per year by investing $5,000 each in each stock. Moreover, you can expect that income to increase by about 5% per year in the long run.

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1. Bank Stocks
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