Income Investing: 2 Dividend Machines to Buy

Description

With much unrest in the global economy, stocks are down across the board since February. While there's likely still a bumpy road ahead, some income investing stocks can deliver results over the long run.

Such blue-chip stocks must be equipped with not only a great yield, but also the fortitude and resilience to weather an economic downturn. Generally, these will be stocks with solid financials and proven track records for stability.

The Canadian bank stocks are definite income investing superstars. Not only do they offer attractive yields, but they also have some of the longest payout streaks around. This is a vital trait to have, as a massive yield means nothing if it's due to be cut anyway.

Today, we'll look at two Canadian banks that are dividend machines and how they can deliver gains for investors.

Scotiabank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a major Canadian bank, and one of the more geographically diverse banks in the country. On top of its positioning in Canada, it has a large focus on its Latin American ventures as well.

It's no secret that BNS has been beaten up with the market crash. It's trading at $54.86 as of this writing, while it traded at $70.73 as recently as March 4.

Reduced operations, a tightening economy, and lower interest rates have all combined to hurt the income investing giant, and year-over-year quarterly revenue growth stands at -11.8%.

However, it's not all bad news for potential long-term investors. The bank's loan-loss provisions did not skyrocket, as they did for a few of its peers, and its balance sheet is still in good shape. It also has access to liquidity and government support in abundance.

With a payout ratio of only 58.72%, and a phenomenal track record for maintaining its yield, investors can still bank on this income investing star's 6.56% yield. There might be a bumpy road ahead in the near term, but given a long-term outlook the stock is still in good shape.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is another major Canadian bank and has long been an income investing superstar on the TSX.

As with BNS, CM has been trading lower since the market crash. It's trading at $90.94 as of this writing; it traded for $103.75 on March 4.

Revenues have been hit even harder for CM, with year-over-year quarterly revenue growth coming in at -26.1%.

Certainly, CM faces a few different challenges and risks, namely in its large exposure to the domestic housing market. With a sluggish economy producing uncertainty, there's definitely some risk there in the short run.

However, the reward is there as well for income investing in the form of a 6.42% yield. With the power of compounding over time, the total return potential is massive — especially inside a TFSA.

CM might be in a bit of a stickier situation right now than BNS, but it's still offering long-term investors a decent value proposition.

Income investing strategy

Of course, every stock has risks involved. This is doubly true during the trying times we face today.

However, both CM and BNS are still solid income investing options. They both have great streaks when it comes to maintaining their yields, and are both offering outsized yields to investors as of this writing.

If you're looking to add to a long-term income investing plan, BNS and CM are two premier options to consider.

CATEGORY

1. Bank Stocks
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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BNS (Bank Of Nova Scotia)
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