Retirement Wealth: 2 Top TSX Dividend Stocks to Buy Today

Description

Canadian savers are searching for top dividend stocks to put in their self-directed TFSA and RRSP accounts.

CIBC

CIBC (TSX:CM)(NYSE:CM) reported strong fiscal Q4 2021 and full-year results that show the bank has navigated the pandemic in good shape. Adjusted net income for the year came in at $$6.67 billion compared to $4.45 billion in fiscal 2020.

The bank met or exceeded its targets for the year. Return on equity was 16.7% on an adjusted basis compared to the goal of 15%. CIBC's dividend-payout ratio was at the low end of its 40-50% target range. Diluted earnings-per-share growth was 49% versus the target of 5-10% annually.

Overall, CIBC had a strong 2021, and the outlook for 2022 should be positive. The economic recovery is expected to continue, and while higher interest rates might cool off the hot housing market, demand and price growth will likely continue. CIBC has a relatively high exposure to the Canadian residential housing sector compared to some of its peers. This has helped the bank generate strong results over the past decade, but also adds some risk for investors.

Anticipated increases in interest rates will help CIBC generate better net interest margins and higher returns on cash it sets aside to cover deposits.

The board just raised the quarterly dividend from $1.46 to $1.61 per share. That's good for a 4.4% annualized yield at the current share price near $147. CIBC stock is up 36% in 2021 but still looks cheap at just 10.5 times trailing 12-month earnings.

Long-term investors have done well with the stock. A $10,000 investment in CIBC 25 years ago would be worth $140,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) operates $57 billion in utility assets in Canada, the United States, and the Caribbean. The businesses include power-generation facilities, electric transmission networks, and natural gas distribution companies. Revenue is primarily regulated in these segments, meaning cash flow tends to be predictable and reliable.

Fortis has a great track record of growth through acquisitions and organic projects. The asset base was just $390 million in 1987.

The current $20 billion capital program will drive significant growth in the rate base over the next five years. As a result, Fortis intends to increase the dividend by an average annual rate of 6% through at least 2025. That's great guidance, and investors should feel confident the company will deliver on the plan. Fortis raised the payout in each of the past 48 years.

Investors who buy the stock today can pick up a 3.5% yield and wait for the steady distribution growth in the coming years.

Loyal shareholders have done well with Fortis in their portfolios. A $10,000 investment in Fortis stock 25 years ago would be worth about $200,000 today with the dividends reinvested.

The bottom line on top stocks for a self-directed RRSP

CIBC and Fortis are top-quality dividend stocks that have delivered attractive total returns for buy-and-hold retirement investors. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:FTS (Fortis Inc.)

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aswalker