1 Passive-Income Stock for Decades of Dividends

Description

Motley Fool investors love passive income. It's why many get into investing in the first place. But what you should consistently look for is just that: consistency. You want dividend payments that get paid again and again and, not to mention, grow!

That's why today, I'm going to focus in on one dividend stock Motley Fool investors can pick up for decades of dividend growth.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is a strong choice for any portfolio focusing on passive-income stocks. It's a great investment altogether! The bank has been around for over 100 years, paying out dividends ever since it came on the market.

During just the last two decades, shares of CIBC stock grew 152%. That's a compound annual growth rate (CAGR) of 5%. Meanwhile, its dividend currently offers $6.44 per share, coming out to a 4.46% annual yield. That's risen at a CAGR of 7% over the last 20 years as well!

What you get

Today, not only do you get a strong dividend from the passive-income stock, but you get a deal. CIBC stock currently trades at 9.88 times earnings. That's well within value territory, as is its book value, which is trading at 1.52.

Then there's the information packed away that will allow you to sleep at night. The growth this bank has seen in the last two decades includes *three* economic downturns, a pandemic, and a housing crisis among other catastrophes. The Canadian Big Six banks have been some of the best performers in the world during a crisis. And CIBC proved in the last three years that it could bounce back to pre-crash levels within a year.

The potential upside

Now, let's see what could happen if you invested in CIBC stock for decades. Let's say you wanted to put away $20,000 this year. That would give you dividends of $888 per year!

Further, let's say your shares grow by another 7%. As of writing, that would mean you have a portfolio worth $21,379 if you bought at today's levels. But it gets even better.

Now, let's say you purchased those $20,000 in shares, added $5,000 per year, and reinvested dividends. By reinvesting everything and leaving it alone for the next 20 years, you could create a portfolio worth about $519,023 based on historical performance!

What if you don't have $5,000 each year? If you were to just invest that $20,000 and reinvest dividends, it still provides a passive-income hideaway. You can turn that into $184,661 today at these levels!

Foolish takeaway

This is, of course, only an example. But it shows that by investing in a strong Big Six bank, you can decrease volatility and still make strong passive income for decades. No matter what your goals are, having a Big Six bank like CIBC is a solid option. You can bring in passive income, see stable growth, and protect your portfolio against market volatility.

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Date
2025/07/21
Date Created
2022/04/25
Author
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