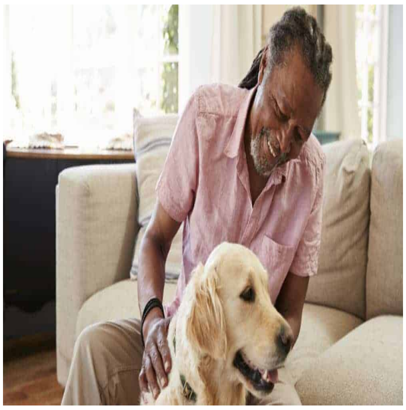

RRSP Investors: 2 Stocks to Buy Now for a Personal Pension Fund

Description

The market pullback is giving self-directed RRSP investors a chance to buy top TSX dividend stocks at undervalued prices.

CIBC

CIBC (TSX:CM)(NYSE:CM) trades near $68.50 per share at the time of writing compared to more than $83.50 earlier this year. The large drop in the stock price means investors can now pick up CIBC for less than 10 times trailing 12-month earnings and get a solid 4.7% dividend yield.

Bank stocks are down considerably in the past two months amid fears that aggressive Bank of Canada and U.S. Federal Reserve rate hikes designed to tame inflation will result in a recession. In Canada, markets might also be concerned about the impact of rising rates on the housing sector.

Higher mortgage costs are already cooling off the hot housing market, as new buyers get squeezed out and others wait to see if prices will fall. The reversal could lead to a wave of listings from speculators who fear prices have peaked and might not be getting enough rent to cover rising mortgage expenses.

CIBC is considered to have higher exposure to the Canadian residential market due to its large relative mortgage book. A plunge in house prices would potentially hit CIBC harder than its peers, but things would have to get pretty bad before the bank experienced a material impact.

Rising interest rates tend to be a net benefit for the banks and CIBC has done a good job in recent years of diversifying its revenue stream through U.S. acquisitions.

CIBC raised the dividend by 10% for fiscal 2022. Another generous increase should be on the way for next year.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades for close to $67.50 at the time of writing. That's down from the 2022 high above $74. Investors who buy the stock now can pick up a solid 5.45% dividend yield and look forward to steady annual payout increases that should be in the 5% range.

BCE reported solid Q1 2022 results. The company is seeing a rebound in the media business pick up steam after a rough run during the pandemic when advertisers closed their wallets and the sports teams played in from of empty seats. On the wireless side, mobile roaming fees should increase in the coming months, as people head out of the country for business and holidays.

BCE is making the investments needed to protect its competitive position in the market and drive future revenue growth. The fibre-to-the-premises initiative will connect another 900,000 customers direct to high-speed fibre optic lines in 2022. BCE is also expanding its 5G network after spending $2 billion on new spectrum at an auction last year.

Management is targeting free cash flow growth of 2-10% for the year. That should support a solid dividend increase for 2023.

The bottom line on top stocks for RRSP investors

CIBC and BCE look cheap right now for a self-directed RRSP focused on high-yield dividend stocks. If you have some cash to put to work in a retirement portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
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Date
2025/08/24
Date Created
2022/05/28
Author
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