2 High-Yield Dividend Stocks You Can Buy and Hold for Years

Description

Retirees and other investors seeking Tax-Free Savings Account (TFSA) passive income and Registered Retirement Savings Plan (RRSP) total returns can now buy top top high-yield TSX dividend stocks trading at undervalued prices.

CIBC

CIBC (TSX:CM) trades for $59 per share at the time of writing compared to $83 in February. Investors pushed down the share prices of all the Canadian bank stocks since February due to rising recession fears.

The Bank of Canada and the U.S. Federal Reserve are raising interest rates aggressively to try to cool off hot economies and bring inflation back down to 2%. Inflation was 7% in Canada in August. The U.S. just reported inflation of 8.2% for September. This is the average year-over-year increase in the price of a designated basket of goods and services.

Economists widely expect both countries to go through a recession in 2023 or 2024 as a result of the jump in rates. Consumers are already diverting discretionary spending to cover the increase in the cost of food and other essentials. This will eventually hit businesses and reduce hiring or even lead to a jump in unemployment. Higher mortgage expenses could trigger a wave of selling in the property market. In the event that house prices tank, CIBC and the other banks could see loan losses increase. Rising rates are already expected to slow revenue growth in other areas of the business.

CIBC has a high relatively exposure to the Canadian housing market compared to its peers. A plunge in house prices to values that are below the amount owed by thousands of property owners would potentially hit CIBC hard.

That being said, the employment market remains resilient and banks say businesses, and households are sitting on high levels of savings. This should help ensure a softer landing for the economy. Assuming we are headed for mild and short recessions in both Canada and the United States, CIBC stock looks undervalued right now.

Investors who buy CM stock at the current level can pick up a solid 5.6% dividend yield.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) has a 65-year history of providing Canadian energy producers with a broad range of midstream services. The company has liquids and gas pipelines, gas gathering and gas processing facilities, logistics operations and a propane export business.

Looking ahead, opportunities exist in carbon capture and the export of liquified natural gas. Pembina Pipeline is evaluating investments in these areas through strategic partnerships.

The company reported solid second-quarter 2022 results and recently increased the dividend. Management raised 2022 financial guidance, as well, signaling a strong finish for the year.

Despite positive momentum in the company's operations and across the energy sector as a whole, Pembina Pipeline's share price is down to $43 from $53 earlier this year. At the current price, investors can get a 6% dividend yield.

The bottom line on top stocks to buy for passive income

CIBC and Pembina Pipeline pay attractive dividends that should be safe through an economic downturn. If you have some cash to put to work in TFSA or RRSP portfolio targeting high-yield stocks, these names deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:PPL (Pembina Pipeline Corporation)

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