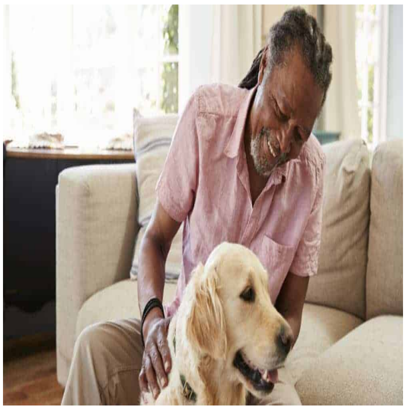

3 High-Dividend Stocks to Fund Your Retirement

Description

High-dividend stocks are great choices for Canadians looking to fund their retirements. Dividends provide regular cash flows straight to your bank account, which tends to make them more reliable than capital gains. Theoretically, you can get returns by selling stock, but sometimes, market volatility makes it difficult to do so on a predictable schedule. With dividend stocks, cash flows are much more certain, which is why they (along with bonds) are staples of retirement portfolios.

In this article, I will explore three dividend stocks that could help you fund your retirement.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM) is a Canadian bank with a 5.7% yield. If you invest $100,000 in it, you get $5,700 in annual cash flow, assuming that the dividend doesn't change.

CIBC is doing pretty well this year. In its most recent quarter, it delivered the following:

- $1.66 billion in net income, up 8% from the previous quarter
- $1.72 billion in adjusted net income, up 4% from the previous quarter

"Adjusted net income" means net income with some changes to normal accounting rules. By either standard (net income or adjusted net income), CM's earnings grew compared to the quarter before.

On the other hand, earnings declined compared to the same quarter a year before. Specifically, net income declined 5% and adjusted net income declined 4%. That might look bad, but remember that this is a bank we're talking about. Banks are required by regulators to estimate bad loans and set aside money, so they can stay safe. These reserves, called "provisions for credit losses (PCL)," take a bite out of earnings when they increase. However, they can be reversed if defaults don't actually happen. If you take PCL out of the equation, then CM's earnings increased 10% on a year over year basis in the third quarter.

Enbridge

Enbridge (TSX:ENB) is a Canadian energy stock with a sky-high 6.4% yield. Hypothetically, if you invested $100,000 in Enbridge, you'd get $6,400 per year in cash back, assuming the dividend yield doesn't change. Please note that we at the Fool prefer a more diversified portfolio and don't recommend putting such a large sum into only one stock.

Why does Enbridge have such a high yield?

It comes down to two factors:

1. A progressively rising dividend
2. A stock price that hasn't risen much

Over the last five years, Enbridge's stock price has only risen 14.8%, yet its dividend has risen 10% per year. In other words, the dividend has risen faster than the stock price, resulting in a very high yield.

Will Enbridge continue rewarding investors in the future? That's hard to say, but the company has customers locked in on very long-term contracts, so there's good reason to think it will do well in terms of revenue, at minimum.

Kinder Morgan

Turning to American stocks, we have **Kinder Morgan** (NYSE:KMI). The reasons for investing in this stock are similar to the reasons for investing in Enbridge: it has a high dividend yield, it's a pipeline with long contracts and locked-in business, and it has a good track record. These are all good reasons for investing in either ENB or KMI. However, the latter has one advantage the former doesn't: growth.

In the first nine months of 2021, Kinder Morgan brought in $1.87 billion in earnings — an increase of 63%. Enbridge has not been able to grow its earnings that fast, so KMI might be a better bet for investors seeking growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:KMI (Kinder Morgan Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)

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Date
2025/06/28
Date Created
2022/11/16
Author
andrewbutton