



3 Dividend Stocks to Generate Passive Income

Description

Finding the right mix of investments, particularly those that can provide years of uninterrupted income growth is of paramount importance to investors, particularly those that still have a few years before reaching retirement.

Fortunately, the market gives us plenty of options to consider, and the three stocks noted below are not only income-earnings greats but also operate in unique areas of the market that are not only secure but bound to see increased growth over the next few years.

Renewable energy can power your portfolio as well as your home

One of the [most amazing opportunities](#) on the market at the moment comes in the form of renewable energy, and **TransAlta Renewables** ([TSX:RNW](#)) is one company that should be on the watchlist of nearly every investor. Here's the allure — as a society, we are steadily moving away from fossil-fuel-burning facilities and opting for renewable ones. Considering that a typical utility can provide a steady stream of revenue for a few decades, this is a long-term opportunity like no other.

TransAlta currently has a generating capacity of over 2,400 MW that is scattered across a slew of facilities in Canada, the U.S., and Australia. That diversification, which extends to TransAlta owning a multitude of different renewable energy technologies including wind, hydro, and solar is just one reason to consider the stock as a long-term pick.

TransAlta's monthly distribution, which provides an appetizing 6.90% yield and has seen a 6% annual bump stemming back the past six years with a stable payout ratio falling between 80-90%, is the other reason.

Not all utilities are dirty

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is an interesting pick for long-term investors that are looking for the defensive and secure income stream that a traditional utility offers, while at the same time benefiting from the emerging appeal of renewable sources.

Algonquin's business is split under two subsidiaries: Liberty Power and Liberty Utility. Together they serve over 750,000 customers across the U.S., with the power segment providing generating capabilities from a suite of 35 renewable solar, wind, and hydro facilities, while the utility segment distributes electric, water, and gas service to customers.

In terms of a dividend, Algonquin offers an attractive quarterly payout that provides a 4.55% yield that has seen a steady stream of hikes over the years.

Let your investment work (on the railroad)

Despite the stereotypical view, railroads still haul an immense amount of freight on a daily basis and constitute a key part in keeping the economy moving. In fact, that's one of the reasons why **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), which is the largest railroad in Canada, remains one of the most [promising long-term investments](#) that millennials can make.

Railroads haul just about everything. Canadian National hauls over \$250 billion in goods annually across a broad range of products ranging from chemicals and automotive components to finished products and crude. That freight is also incredibly diversified, with no single commodity or product being hauled constituting a majority of the train's overall freight.

Adding to that appeal is the fact that the railroad itself operates on dedicated right-of-way tracks that have seen entire cities and communities getting built around them, effectively making it nearly impossible for a competitor to emerge and challenge the railroad. Throw in the fact that Canadian National is the only railroad on the continent with access to three coastlines and a competitive advantage begins to emerge.

Apart from the \$3.9 billion that Canadian National is spending on upgrading its already enviable network, the company's quarterly dividend has seen double-digit gains in past years and is likely to see continued growth for the foreseeable future, making the seemingly low 1.78% yield a great long-term buy.

CATEGORY

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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5. TSX:RNW (TransAlta Renewables)

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