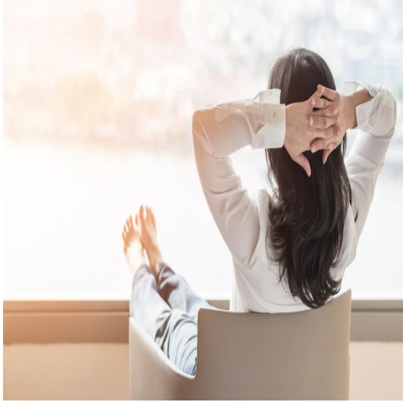

Passive Income 101: A 3-Stock Starter Pack for Dividend-Hungry Canadians

Description

When going on the hunt for candidates to put in your passive-income fund, Foolish investors should demand more than just a bountiful upfront yield. Blindly chasing yield is a losing strategy that could be hazardous to your wealth. By pursuing the highest of yields, you're just asking for capital losses, dividend cuts, and all sorts of other nasty things that you didn't think you were signing up for.

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So, instead of just "chasing yield," investors should shoot to value dividend sustainability and growth potential just as much, if not more than, a security's upfront yield. In this piece, we'll have a brief look at three securities that have a solid mix of dividend yield, growth, and sustainability — three traits that are essential for any security that you seek to add to your passive-income fund.

Without further ado, consider the following from highest yield (lower expected growth) to lowest yield (higher expected growth).

Enbridge (TSX:ENB)(NYSE:ENB)

With a yield currently just shy of the 6% mark, Enbridge is what many folks would deem as a high yielder by accident or an artificially high yielder, meaning that the yield has only gotten so high because shares of Enbridge have been hammered.

Indeed, the energy transporter has been treading water over the past four years, but in spite of the roadblocks and tighter balance sheet, management has continued to raise the bar on its dividend to give long-term shareholders a reason to stick around. At the time of writing, the stock is down 23% from all-time highs, and with shares trading at just 19.6 times forward earnings and 1.6 times book, I think aggressive, longer-term investors should think about initiating a position today before the price of admission goes up.

Management is committed to continue growing its dividend through the next few years and with the Line 3 replacement due to provide added growth, we could very well see the company renew its dividend raise policy at some point down the road.

Shaw Communications (TSX:SJR.B)(NYSE:SJR)

For those seeking more stability and a less-hazy growth runway, there's Shaw. At the time of writing, the stock sports a nice 4.4% dividend yield to go with a very ambitious long-term growth strategy. Now that the company has ditched the last of its Corus stake, raising $548 million in the process, the company has more dry powder to throw at its wireless business, Freedom Mobile, which will be a source of enormous growth over the next three years.

As we move towards 5G wireless technology, Freedom will be looking to put the pressure on Canada's Big Three wireless incumbents. And should management be successful at capturing a bigger slice of the wireless pie, we could very easily see double-digit dividend hikes moving forward.

In the meantime, the company is going to be spending big money on the 5G arms race. And with the company now out of the media game, I'm thinking Shaw is the growthiest it's ever been.

Restaurant Brands International (TSX:QSR)(NYSE:QSR)

Last, but definitely not least, we have the growthiest dividend stock of this three-stock sampler.

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At the time of writing, the name yields just shy of 3%, and although that's barely enough to meet the needs of today's income investors, I'd say the stock is a must-own for any long-term passive-income fund for the dividend-growth potential.

Restaurant Brands is more of a growth company compared to most other companies that sport 3% yields. With the company expected to grow to over 40,000 restaurants from around 26,000 over the next eight to 10 years, you can bet that the cash cow is going to fatten up the wallets of its shareholders through very generous and frequent dividend hikes. The firm's capital-light business model allows management more than enough financial flexibility to put its foot on the growth pedal while still rewarding investors with huge raises as if it were a stalwart.

Indeed, Restaurant Brands is a rare breed of investment, and it reeks of dividend growth.

Stay hungry. Stay Foolish.

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