



Lazy Investors: How to Make Passive Income

Description

You can make passive income from buying income-producing assets, including GICs, bonds, stocks, and real estate. However, dividend investing in quality businesses is one of the best ways to [generate passive income](#) and to grow wealth.

By buying quality dividend stocks over time, your passive income and your holdings will only grow over time.

Here are two quality dividend stocks that are trading at good valuations.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has built a friendly franchise around lower-risk retail banking that serves retail and small business clients in North America.

The transformation to a retail focus took efforts of more than a decade, leading the quality bank to now generate about 92% of its earnings from retail banking.

TD Bank now has more branches in the U.S. than in Canada. In fiscal Q2, the bank generated about 38% of its earnings from its U.S. retail business.

The bank's U.S. expansion strategy did not prevent the shareholder-friendly bank from continuing to increase its dividend at a compound annual growth rate of 10% since 2005.

Currently, TD stock trades at a fair valuation. Moreover, it has the lowest payout ratio among the Big Five banks and is set to increase its earnings per share by 7-10% per year over the medium term. So, now is an excellent entry point to buy quality TD Bank for passive income over the long haul with a starting yield of 3.9%.



Brookfield Infrastructure Partners

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) has over a century's experience in investing, owning, and operating infrastructure assets. Over the decades, it has built a diversified portfolio of high-quality businesses with significant barriers to entry across the utilities, transport, energy, and data infrastructure sectors.

Its track record speaks for itself. Since its inception in 2009, the stock has compounded total returns at 20% annually! In the period, its dividend compounded at 14.5% per year.

BIP stock's 4.8% yield is highly secure, as it's supported by a funds from operations payout ratio of 60-70%. Further, its cash flow is 95% regulated or contracted and 75% indexed to inflation, which makes its cash flow generation very stable.

BIP has also shown a solid history of revenue and EBITDA (a cash flow proxy) growth. From 2014 to 2018, its revenue and EBITDA compounded at 11% and 9%, respectively, per year.

Currently, BIP stock trades at a fair valuation. So, now is a good entry point to buy the quality utility for passive income for the long term. Management aims for dividend growth of 5-9% per year.

Foolish takeaway

[A passive income machine](#) should require little attention from investors and be automated as much as possible. You can do that with dividend investing in quality businesses.

TD Bank and Brookfield Infrastructure are perfect for this. I trust TD Bank and Brookfield Infrastructure to make growing passive income for my portfolio over the long haul. If I didn't own them already, I wouldn't hesitate to buy some now and add to them opportunistically on dips.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:TD (The Toronto-Dominion Bank)

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