



3 Recession-Proof Dividend Aristocrats for Passive Income Seekers

Description

There are a few different steps investors can take to help protect their portfolio ahead of a market downturn.

One of the ways is by buying stocks that are defensive and more recession proof. These stocks operate in industries that are less affected by a slowing economy. Because their operations are less impacted, their stock will also be more resilient, as the financial markets inevitably tank with the economy.

Another way to set your portfolio up to perform the best it can through a recession is to find dividend-paying stocks. Income investing tends to be one of the best strategies during a recession, especially if you can find stocks with stable cash flows and highly sustainable dividends.

Combining both of these steps will give investors the ultimate strategy, and the best way to do this is finding [dividend aristocrats](#) that operate in recession-proof industries.

Three of the top stocks to consider adding to your portfolio are **Franco-Nevada Corp** ([TSX:FNV](#))([NYSE:FNV](#)), **Loblaw Companies Ltd** ([TSX:L](#)) and **Canadian Utilities Limited** ([TSX:CU](#)).

Franco-Nevada

Franco-Nevada is a royalty and streaming company with exposure to gold mining and other materials operations.

Gold miners are great stocks to own when the price of gold is appreciating, but they are also highly risky. Franco-Nevada is the perfect mix with exposure to the price of gold, but through a low-risk vehicle.

Its portfolio consists of a wide range of mines across the global, giving it a tonne of diversification, reducing risk even further.

Its dividend has grown more than 70% since 2014 and today yields just over 1%. While this may not seem like a lot, Franco-Nevada's exposure to gold is what you are also paying for — trading at a premium in today's market.

Loblaw

Loblaw operates in the consumer staples industry predominantly owning grocery stores and pharmacies. Through its operations, large scale and wide reach, it also owns ancillary businesses such as banking and credit cards as well as insurance.

Its massive scale and numerous brands allow Loblaw to capture all segments of the market, and due to its strong loyalty program and data analytics it gleans from that, Loblaw can gain insight into developing customer trends.

It has undergone a bit of a restructuring the last few years in order to maximize the efficiency of its operations.

Its dividend has been raised more than 25% since 2014 and today yields roughly 1.75%. At only a 65% payout ratio, the dividend is highly stable and should be expected to continue to grow as it's done in the past.

Canadian Utilities

Canadian Utilities is a diversified energy infrastructure company that has operations in electricity, pipelines and liquids as well as retail energy. The electricity portion includes electricity generation, transmission and distribution.

The pipelines and liquids segment consists of natural gas transmission, distribution, infrastructure development as well as energy storage. Its retail energy segment consists of electricity and natural gas retail sales.

In total the company has roughly \$22 billion in assets; 86% of its adjusted earnings from 2018 came from regulated earnings, while the remaining 14% came from long-term contracts it has.

It has a number of growth opportunities in its pipeline, with an estimated \$3.6 billion in regulated utility and contracted capital projects expected to come online before 2021.

Its dividend, which yields roughly 4.4%, is highly stable at a payout ratio right around 50%. Investors can reasonably expect this to continue to grow, as it's been increased by roughly 58% since 2014.

Bottom line

Finding high-quality dividend stocks such as the dividend aristocrats is the best strategy for passive-income seekers. Combining this with stocks that are in recession-proof industries is the best way for investors to grow their portfolio, regardless of what may or may not happen in financial markets over the short-term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FNV (Franco-Nevada)
4. TSX:L (Loblaw Companies Limited)

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