Make Safe Passive Income From This Dividend Trend That's Going Mainstream

Description

TSX investors have a number of ways to add safety to a stock portfolio while accruing compounding passive income. One way that is starting to gain traction as an investment strategy in its own right is gold dividends. Today we'll look at three stocks that fit the bill, as well as a play on high growth.

Uncertainty will feed gold prices

From Yemen to Burkina Faso, Libya to Kashmir, geopolitical unrest is set to be a big factor in the global economic outlook for the year. 2020 already got off to an unpredictable start when Middle East tensions nearly turned into all-out conflict in the Persian Gulf. The brief crisis in Iraq threatened to spill over into a broader conflict, sending up gold and defence stocks and creating oil uncertainty.

The head of the IMF, Kristalina Georgieva, underlined the uncertainty marking the start of the new decade last week, calling out the climate emergency, trade protectionism, and inequality.

With regard to the latter, Georgieva said, "This troubling trend is reminiscent of the early part of the 20th century – when the twin forces of technology and integration led to the first gilded age, the roaring 20s, and, ultimately, financial disaster."

Gold dividends could be a major theme this decade

Investors have a high-growth option in **Kirkland Lake Gold**, which last year made the inaugural TSX 30 list thanks to its +600% three-year share price appreciation.

It's a dividend-paying stock as well, though its yield of half-a-percent isn't quite as appealing as that of **Newmont Goldcorp**'s 1.38%. However, much of that upside seems to have been harvested already, so let's turn to that passive income.

While Newmont's yield is suitable, it's not the only such stock in the space yielding above 1%. **Barrick Gold'**s yield is in this range, and some mining investors may prefer its shares in their gold portfolios.

Given Barrick's financial strength witnessed in its considerably bolstered balance sheet, sheer size, and the quality of its assets, Canadian investors feathering a retirement savings plan or Tax-Free Savings Account (TFSA).

For that richer yield, Newmont currently commands the Canadian gold dividend territory. There's another play in the gold space, though, one that brings in the high capital gains potential of copper: **Lundin Mining**.

This latter stock is strongly diversified, albeit with its approximately two-thirds copper revenue powering its 1.64% yield and a potential +80% total return by mid-decade.

Stock market bulls will likely face mounting doubt with the assurance that the markets will come back stronger after a downturn. While buy-and-hold is a basic tenet of recession investing, based on the general resilience of the markets to corrections, investors seeking safety should consider the usual mix of utilities, rental REITs, consumer staples, rail operators, and precious metals.

The bottom line

From the high-growth potential of copper to the 1-2% dividend yield range on offer from some of the strongest gold stocks on the TSX, the safety-conscious stock investor has some strong plays for passive income. Amid mounting uncertainty, this could be a strong year for gold.

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