Forget CERB: This Could Help Bridge the Income Gap and Avoid Tapping Into Retirement Savings

Description

The COVID-19 pandemic has disrupted our lives drastically. Millions of people around the world are left unemployed, forcing them to dip into their retirement funds as not many have ample cash to survive for the next three to four months.

The government stimulus packages like the Canada Emergency Response Benefit (CERB) did help to bridge the income gap for people affected by COVID-19. However, CERB is not permanent. Besides, it's prudent to have a second source of income to fall back on in the hour of need and not to tap into retirement funds or rely on government packages when a crisis, like the one we are in, happens again.

So what should you do? The answer is pretty simple, investing consistently and creating a portfolio of solid dividend-paying stocks in one's heyday, should help in navigating a crisis like this in the future. The regular dividend income from your investments would help in bridging the income gap without dipping your hands in the retirement savings.

Thankfully, there is a long list of Dividend Aristocrats on **TSX** that offer consistent dividends and should help you to build a portfolio that grows with you and provides a healthy dividend income. Here are my top three TSX stocks to generate sustainable passive income.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is among the top TSX stocks to generate a passive income that keeps growing. Its strong capital positioning, diversified asset portfolio, improving efficiency, and ability to drive loans and deposit growth provide a strong underpinning for growth and supports its payouts.

Canada's biggest lender has raised its dividends at a compound average annual growth rate (CAGR) of 7% over the last years. Earlier, Royal Bank of Canada increased its dividends by 3%. Currently, Royal Bank of Canada pays a quarterly dividend of $1.08 that translates into a forward yield of juicy

4.5%.

The bank's dividends are safe and could continue to increase as it targets a payout ratio of 40-50%, which is low and sustainable in the future.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another top TSX stock to rely on for steady dividend income. It has increased its dividends for 46 years straight, thanks to the predictable cash flows. Investors should note that economic situations barely have an impact on its financial performance, reflecting rate-regulated structure.

Investors should note that the company's dividends are safe and could continue to increase at a healthy pace. The utility company currently pays a quarterly dividend of about $0.48, translating into an annual yield of 3.6%. Fortis projects its rate base to increase at a CAGR of 6.5% in the coming years, which is likely to support its payouts. It expects to increase its dividends by 6% annually in the next four years, which is encouraging.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) offers a quarterly dividend of $0.81, which translates into a forward annual yield of 5.4%. The company generates strong EBITDA and cash flows that help in boosting shareholders' returns through higher dividends.

For those who may be unaware, TC Energy has consistently increased its dividends for years in a row. Its dividends have grown at a CAGR of 7%. Besides, management projects an 8-10% increase in its dividends for 2021. Further, TC Energy expects its dividends to increase by 5-7% after 2021.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Energy Stocks

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1. NYSE:FTS (Fortis Inc.)
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5. TSX:RY (Royal Bank of Canada)
6. TSX:TRP (TC Energy Corporation)

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