



Live on Passive Income: 3 Top TSX Dividend Stocks to Buy in October 2020

Description

Ever wondered about living on an income stream which doesn't require your active engagement? It is achievable if you invest your money wisely and let it work for you.

While there are multiple ways to achieve financial freedom like through rental income or a royalty from a book, I will restrict myself to dividend-paying stocks. There are a few **TSX**-listed dividend-paying stocks that offer stellar dividends that are likely to grow with you and generate robust passive income.

Pembina Pipeline

With a monthly dividend payout of \$0.21 and a high yield of 8.8%, **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is among the top stocks to generate a strong passive income. For instance, an investment of \$50,000 in Pembina Pipeline stock can generate a monthly income of about \$364, or an annual dividend income of about \$4,366.

While lower demand for crude weighed on its stock, investors should note that Pembina Pipeline's business is diversified across multiple commodities and generates strong fee-based cash flows. Further, its business is highly contracted and has arrangements to lower volume and price risk.

The company generates strong fee-based cash flows and has managed to lower its target payout ratio (as a percentage of fee-based cash flows), which implies that its future payouts are safe. Pembina has a long history of consistently paying dividends and has paid \$4.5 billion in the form of dividends in the last five years. During the same period, its dividends have increased by 6.5% annually.

While weak energy demand remains a drag in the near term, its resilient and diversified business and strong fee-based cash flows should help Pembina to announce dividends that could continue to grow with you.

Bank of Nova Scotia

While lower interest rates and an uncertain economic outlook might make bank stocks unattractive, you should keep **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) on your radar to [generate strong passive income](#). The bank pays a quarterly dividend of \$0.90, which translates into an annual yield of 6.4%.

Bank of Nova Scotia has consistently paid dividends, and over the last 10 years, its dividends marked a compound annual growth (CAGR) of 6%, thanks to the CAGR of 8% in its adjusted EPS. An investment of \$50,000 in Bank of Nova Scotia could fetch you an annual dividend income of about \$3,240.

As economic activities pick up the pace, Bank of Nova Scotia is likely to generate strong net income that is likely to support its payouts. Further, the provisions for credit losses are likely to go down in the coming quarters, which is encouraging. The bank's exposure to high-growth markets and ability to grow its net income suggests that investors could expect dividend hikes in the future years.

Enbridge

The energy infrastructure giant **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) has boosted its shareholders' returns by consistently paying dividends since it listed on the exchange in 1953. Last year, it paid \$6 billion in dividends, which represented year-over-year growth of 28%.

Investors should note that Enbridge's [dividends](#) have grown at a CAGR of about 11% over the last two-and-a-half decades. Moreover, with its quarterly payout of \$0.81, a \$50,000 investment in Enbridge stock could generate an annual income of about \$4,177.

Enbridge's payouts are safe, thanks to the strong distributable cash flows, and its dividends are likely to continue to increase in the coming years.

Bottom line

Investors should note that all these stocks are trading cheap as the pandemic weighed on the demand. However, with economic activities gaining pace, investors should lap up these stocks for your passive-income portfolio while they are still down.

CATEGORY

1. Bank Stocks
2. Coronavirus
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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)

4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:ENB (Enbridge Inc.)
6. TSX:PPL (Pembina Pipeline Corporation)

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