Looking for Passive Income? Here Are 3 Top Stocks You Need to Own!

Description

I think it is safe to say many Canadians are looking for some extra passive income this year. Fortunately, it is never too late to start investing and building a portfolio that can give you an income boost for years to come. If you start investing on a regular basis, it is actually quite possible that you could have a passive-income stream that one day enhances or even out pays your employment income.

Here are three **TSX** dividends stocks that are perfect candidates for your passive-income portfolio.

Low-risk passive income for a lifetime

Fortis (TSX:FTS)(NYSE:FTS) is an ideal foundation for building passive income. You may look at its 3.74% dividend yield and not be overly impressed. Yet this stock is worth a lot more than just its dividend today.

This passive-income stock is a beacon of safety in a very volatile stock market and economy. The stock has a beta of only 0.06. This means its stock movement has very little correlation to the overall TSX. Generally, it proves stable when markets are not.

Fortis operates heavily regulated utilities across North America. It distributes natural gas and power services. These are essential in nature to the everyday function of society. Consequently, cash flows over a long period of time are very stable and predictable.

The consistency of the cash flows makes the dividend safely covered by cash flows (an approximate 72% payout ratio). It also means that if Fortis predicts it can achieve 5-6% rate base and dividend growth for the next five years, it likely can. Compound that return, and you could easily be yielding +5% on your capital in only a few years. Sounds pretty good for so much stability!

Ramp up the yield at reasonable risk

If you don’t mind a bit more risk for a much higher passive-income yield, **Enbridge** (TSX:ENB)(NYSE:ENB) is the stock to own. Although I say higher risk, the fact is, the essential nature of its business almost cancels out the risk. Its greatest risk is the fact that it resides in a very unloved/challenged sector: energy. The stock has been beaten down due to counter-party concerns, risks related to pipeline developments, and regulatory/environmental challenges.

Yet, overall, the business has performed with resilience in 2020. For the first half of 2020, adjusted EBITDA and distributable cash flow (DCF) were essentially flat from 2019 (despite the challenges above). Management still affirmed its overall 2020 guidance of $4.50-$4.80 DCF/share.

The stock pays a great 8.5% dividend that remains sufficiently covered by DCF (around a 70% payout ratio). If you are looking for a passive-income stock that could do really well in an economic recovery out of the pandemic, Enbridge is a perfect bet.

Ride a HUGE trend with this passive-income stock

Passive income and e-commerce stocks are like oil and water. It is almost impossible to buy any sort of e-commerce tech stock that could pay you a supportive income (i.e., **Shopify**, **Amazon**, or **Wayfair**). Yet there are some intriguing income opportunities in TSX stocks that *support* the growing e-commerce industry.

One stock that has a unique focus on the e-commerce industry is **WPT Industrial REIT** (TSX:WIR.U). The REIT operates high-quality distribution, warehouse, and logistics properties in top distribution hubs in the U.S.

This REIT had very little impact from pandemic shutdowns and continues to demonstrate strong growing occupancy and rental growth. It has a really attractive development pipeline that should support fund flow growth for many years ahead. This stock pays a great 5.75% yield. WPT is a perfect stock to lock in a great passive-income yield and enjoy the rise of e-commerce for many years to come.

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