



Passive Income: 3 TSX Stars With Huge Yields

Description

When it comes to passive-income investing, stocks with [reliable yields](#) are highly desirable. As an investor, you want to be sure your dividend payment will consistently come through and grow as time passes.

As such, figuring out which TSX blue-chip stocks have reliable yields is important. After all, it's hard to build solid passive income with dividends that are due to be trimmed.

Of course, 2020 has presented unique challenges for many stocks. With companies experiencing revenue loss, it's even more important for long-term investors to keep an eye on the safety of any stock's dividend.

Today, we'll look at three TSX giants with massive yields, and see whether or not their dividends are reliable.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a massive Canadian energy distributor. It operates many toll-like pipelines across North America.

With the economy hurting, and the oil market especially so, 2020 has been rough for Enbridge. The stock was trading as high as \$57.13 on February 12 and is trading at \$38.06 as of this writing.

Now, with such a dramatic drop in price, the dividend yield has subsequently shot up. As of this writing, this passive-income stock is yielding 8.51%.

So, many investors are likely licking their chops at the prospect of picking up a large blue-chip stock with such an eye-popping yield. However, there are some key things to keep in mind here.

For one, Enbridge posted quarterly revenue growth of -21.5% in its most recent report. Plus, its payout ratio now sits at a mammoth 330%.

It certainly stands to reason that [passive-income](#) investors should expect a dividend cut with that large of a payout ratio. So, it's a stock to keep an eye on but definitely one with some major yield stability concerns.

Telus

Telus ([TSX:T](#))([NYSE:TU](#)) is a massive Canadian telecom stock that offers a wide range of internet and media services through its subsidiary Telus Communications.

While Telus is down a bit on the year, it's largely recovered. This is likely due to the fact the vast majority of its offerings are non-cyclical/necessary products.

Plus, Telus has made strides in the digital healthcare space through its Telus Health division. Seeking to be on the frontier of this growing sector, Telus stands to experience some growth here.

As of this writing, this passive-income star is trading at \$24.86 and yielding 5.01%. However, like with Enbridge, the payout ratio could be a cause for concern.

Now, Telus's figure of 112.02% is, of course, not as scary as 330%, but it still lets investors know the right balance hasn't been struck. Passive-income investors might need to expect a pause on dividend growth until things turn around here.

Passive income star: BMO

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is one of Canada's major banks and has a market cap of \$56.14 billion. When it comes to passive-income investing, BMO is a superstar.

This is because it offers, quite literally, unrivalled reliability. This TSX giant has paid a dividend every year since 1829 — good for the longest streak in Canada.

Plus, despite a rough year in 2020, BMO will continue to do so. Its payout ratio sits at about 60% and this stock is clearly committed to paying its dividend.

That's good news for passive-income investors, as BMO is yielding 4.86% as of this writing. It's not often you can lock in a yield of that size with that track record of stability behind it.

For the long term, sentiments around BMO should be largely positive, and, as such, it could experience share price growth as well.

If you're looking for a way to secure reliable passive income, a banking stock like BMO is a great place to hang your hat.

Passive-income strategy

When looking for a stock to generate passive income, the size of the stock's yield is only one piece of the puzzle. The sustainability of it is also a crucial component.

While Enbridge might be headed for a dividend cut, stocks like Telus and BMO can still provide reliable dividends to investors.

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