



Want Passive Income Without Risking Much? Load Up on These 3 TSX Stocks

Description

It's easy to get passive income through stocks that pay dividends. Besides, you don't need tons of cash to start a passive income stream through shares. However, the pandemic has taught us to be careful when choosing dividend stocks, as the payouts of several companies may not be sustainable in the long run or dry up soon amid fluctuations in demand and an uncertain environment.

While investors need to be cautious, a few low-risk dividend-paying stocks look like reliable bets to generate strong passive income in the long term. Besides, these companies have the potential to consistently increase their dividends over the next decade.

A top utility company

The first sector that comes to mind while choosing quality dividend stocks is utility. Utility companies are known for their rock-solid dividend payments, thanks to their regulated and predictable cash flows that support the payouts.

Notably, the two top **TSX** stocks with the longest record of annual dividend increases by any publicly traded Canadian company are from the utility sector: **Canadian Utilities** ([TSX:CU](#)) and **Fortis**. While Canadian Utilities has raised its [annual dividends](#) for 48 years, Fortis has increased it for 47 years.

While both the companies should be in your passive income portfolio, Canadian Utilities stock offers a higher yield.

Canadian Utilities' high-quality earnings base (about 95% of its adjusted earnings coming from regulated assets) and continued investment in regulated utility assets position it well to generate robust cash flows that is likely to support its future dividend payouts. Currently, the company offers an attractive dividend yield of 5.5%, which is very safe.

A leading Canadian lender

Investors looking for stable passive income could consider buying **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stock. Canada's second-largest lender by market cap has a rich history of paying dividends.

The bank has paid dividends for 164 years. Moreover, its dividends have grown by 10% annually over the last decade, higher than all of its peers. For instance, **Bank of Nova Scotia** has increased its annual dividends by 8% during the same period.

The pandemic affected Toronto-Dominion Bank's bottom line. However, increasing economic activities and positive development on the vaccine front should help drive loan and deposit volumes and result in a sharp decline in the provisions for credit losses, which is likely to support its earnings and dividend payments.

Toronto-Dominion Bank remains well capitalized and is focusing on improving efficiency. Meanwhile, its momentum in its wealth and insurance business is likely to sustain. The bank pays a quarterly dividend of \$0.79, reflecting a yield of 4.7%.

A top energy bet

With a history of paying dividends since 1953 and increasing annual dividends for 25 years in a row, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a top stock to generate robust [passive income](#). While its stock took a beating amid lower energy demand and uncertain outlook, the company's low risk and highly contracted business strengthen my confidence in its ability to pay dividends consistently.

Enbridge's diverse cash flow streams and long-term contracts help generate strong distributable cash flows. Meanwhile, take or pay arrangements and cost-of-service agreements help reduce the negative impact of the volatility in commodity prices and volumes.

The company's core business remains strong, with gas and renewable power segments delivering strong results. Meanwhile, as the economic activities pick up the pace, Enbridge's mainline volumes are expected to improve.

Enbridge offers a juicy annual yield of 8.3%, and its stock is available at a good value.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:ENB (Enbridge Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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