Income Investing: 2 Stocks With Safe Dividends

Description

Those looking to take advantage of income investing often seek stocks with strong but stable dividends . This strategy is especially important in the current economic climate, as dividend cuts have been popping up.

On the **TSX**, there are many blue-chip stocks trading at deflated prices and as such offering high yields. It's important for investors to determine whether these are sustainable dividends or simply too good to be true.

To generate solid passive income going forward, a stock needs to be ready to weather the short-term storm while still delivering value with its dividend. Today, we'll look at two such TSX stocks that are prime candidates for income investing.

RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest bank by market cap and a true household name when it comes to Canadian banking. This stock consistently delivers investors great value with both share price growth and the consistency of its dividend.

With the recent vaccine-related rally, this TSX heavyweight is basically back to trading at prices it started the year at. In fact, it's trading at $103.44 as of this writing and traded at $103.55 on January 2nd, 2020.

RY has been able to weather the storm because it's a well-capitalised stock with loads of liquidity support and stability. This is a stock that has proven time and time again it will make its dividend payment to investors, which is very attractive for income investing.

In fact, RY has paid a dividend every year since 1870 to its investors. So even with the unique range of challenges being presented today, investors can look to RY's strong track record for further confidence.

That aside, the stock's payout ratio of just 54.76% indicates the dividend is not in any danger at all. As of this writing, RY is offering investors a 4.19% yield.

While not the juiciest yield around, the fact it comes attached to this banking giant helps make it a more attractive proposition for passive income investors.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a large electric utility company with international operations on top of its Canadian presence. It's long been a favourite amongst defensive-minded TSX investors looking to protect themselves from the market.

This TSX giant certainly delivers on that front, as it sports a beta of 0.08. While that figure isn't always perfect, it gives us a strong indication that FTS does not follow the market's movements closely.

This income investing star is such a defensive stock because of its revenue streams. It operates largely on regulated contracts and as such has predictable income. This also means it does not experience large fluctuations in demand.

As of this writing, it's yielding 3.8%. So, that protection against market forces comes at a bit of a cost in terms of the yield. However, income investors seeking market crash protection might be attracted to this stock.

Income investing plan

Both these blue-chip heavyweights can offer value in an income investing strategy. They both offer investors rock-solid dividends with unquestionable stability.

While there are bigger yields available now, they typically come with many question marks attached. With RY and FTS, you pretty much know what you're getting – even during times like these.

CATEGORY

1. Bank Stocks
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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
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