



## Start Building a Passive-Income Source With These 2 Stocks

### Description

Building a strong source of passive income can make a world of difference during your retirement. In fact, if you invest in dividend stocks or real estate early on, the passive income you generate may allow you to heavily supplement your salary. This can allow you to ease into retirement, as you begin to ease off the gas pedal in terms of work hours at the end of your career.

However, many investors seem to get it wrong when looking for stocks to include in a strong dividend portfolio. I have previously written an article, giving an example of an [excellent dividend portfolio](#). In building that group of stocks, I decided to focus on companies that had a reliable history of paying dividends, solid distribution growth potential, and above-average capital gains as the icing on the cake. In this article, I will provide two companies that investors should consider for their dividend portfolios.

## This company has one of the most reliable dividends in Canada

When it comes to a reliable dividend, it doesn't get much better than **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)). As of this writing, Fortis has managed to increase its dividend for the past 47 years. This is incredible, considering the market has seen quite a few downturns over that period. In fact, only **Canadian Utilities** has an active dividend-growth streak longer than Fortis (49 years).

For those that are unfamiliar, Fortis is a [diversified utility company](#) that operates in Canada, the United States, Central America, and the Caribbean. As of this writing, the company claims more than \$56 billion in assets and serves more than 3,300,000 customers.

As mentioned previously, Fortis has managed to increase its dividend distribution since 1973. Over that time, the company has managed to keep its dividend-payout ratio between 40% and 70% for the majority of the time. Currently, Fortis has a payout ratio of about 49%. This indicates that the company has a lot of room to continue growing its dividend in the future. Also considering its forward dividend yield of 3.85%, Fortis continues to have one of the most attractive distributions in Canada.

## Add some capital gains to your dividend growth and boost your returns

There are many dividend investors out there that do not consider capital growth in their portfolio. While I accept that everyone is entitled to their own opinions and strategies, I've never quite understood that logic. I believe that there comes a point when the negatives associated with a depreciation in capital greatly outweigh the benefits from a strong dividend. With that said, I cherish companies that offer both a strong dividend and capital appreciation.

For this reason, I remain strongly bullish on **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). This company is a global leader in the renewable utility industry and my favourite in the space. It had previously held a spot in my own portfolio, only to be dropped earlier in the year in favour of **Shopify**. However, the company poses such an attractive investment proposition and should re-appear in my portfolio in early January.

Currently, Brookfield Renewable has a respectable forward dividend of 2.80%. It is also a Canadian Dividend Aristocrat, having increased its distributions for the past 10 years. As mentioned previously, Brookfield Renewable offers investors solid capital appreciation in addition to its attractive dividend. Over the past two years, Brookfield Renewable stock has gained 194%. In an industry that is still very small compared to traditional utilities, it is very difficult to ignore this company for much longer.

### Foolish takeaway

Creating a source of passive income can make a world of difference during your retirement. When considering companies for your dividend portfolio, look for those that have a reliable history of paying dividends, have strong dividend-growth potential, and offer decent capital appreciation. Companies like Fortis and Brookfield Renewable Partners are a great place to start.

#### CATEGORY

1. Investing

#### POST TAG

1. brookfield renewable partner
2. canada
3. dividend
4. dividend stock
5. Editor's Choice
6. Fortis
7. fortis stock
8. long term growth
9. Shopify
10. Shopify Stock

#### TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:FTS (Fortis Inc.)

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