The 2 Best Dividend Stocks to Boost Your Passive Income

Description

If you are planning to increase your passive income amid low-interest rates, consider investing in top **TSX** dividend stocks. Dividend stocks are a tried and trusted way to earn extra cash. Moreover, you don't need large upfront investments to buy stocks and gradually build your capital to generate strong passive income.

Let's look into the two best Canadian dividend stocks that should be part of your income portfolio.

TC Energy

Thanks to its high-quality earnings base and robust cash flows, **TC Energy**'s (TSX:TRP)(NYSE:TRP) annual dividend has increased at an average rate of 7% for the past 20 years. Moreover, it has delivered an average annual total shareholder return of 12% during the same period.

TC Energy's low-risk and diversified portfolio of energy infrastructure assets continue to perform well and remain immune to the short-term volatility in commodity prices and volume throughput. The company's utilization rate remains at historical levels, thanks to its high-quality assets that are either regulated or have long-term contracts.

The company is advancing well on its $37 billion capital growth program, which is likely to drive its earnings and cash flows and support its future dividend payouts. Moreover, these projects are reinforced by the cost of service and take-or-pay contracts.

TC Energy forecasts adjusted EBITDA to increase at a CAGR of 8% through 2024 and expects an 8-10% growth in its dividends for 2021. Moreover, it projects a 5-7% increase in its annual dividends after 2021. TC Energy pays an annual dividend of $3.24 a share, reflecting a yield of 6.1%.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) stock should be on your radar to generate stable passive income. The bank started to pay dividends in 1833. Moreover, Scotiabank's high-quality earnings base has led it to increase its dividends in 43 out of the past 45 years. Furthermore, Scotiabank has raised its dividends at a compound annual growth rate (CAGR) of 6% since 2019.

I believe the uptick in economic activities is likely to drive credit growth for banks and support the net interest margin. Meanwhile, Scotiabank's diversified footprint and exposure to high-quality growth markets position it well to benefit from the recovery in demand.

Scotiabank's profitability is likely to improve on the back of higher loans and deposits and an expected decline in loan provisions, which should support its future dividend payments. Currently, it pays an annual dividend of $3.60 a share, reflecting a yield of 5.3%.

Investors should note that Scotiabank is trading at an attractive valuation multiple, which I believe could expand further. Scotiabank stock trades at a forward P/BV (price/book value) ratio of 1.0, reflecting a discount of about 33% compared to the peer group average of 1.5. Moreover, its price/earnings ratio of 9.7 is also lower than the peer group average.

Final thoughts

Large-scale vaccine rollout and easing of lockdown measures could accelerate the pace of economic recovery, which is likely to boost the financials of both these companies. Both TC Energy and Scotiabank generate high-quality earnings, suggesting that the dividend payouts are pretty safe.

Notably, a $10,000 investment in each of these stocks could generate a passive income of $1,140/year.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TRP (TC Energy Corporation)

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snahata