The 3 Best TSX Passive Income Stocks for 2021

Description

Are you looking to start a passive income stream through equities? I have picked three top **TSX**-listed Dividend Aristocrats that could be the right fit. The companies generate robust cash flows and are most likely to lift their dividends by mid to high-single-digit rate in 2021.

Allocating a portion of your capital in these Canadian stocks could help you earn a steady flow of passive income that could continue to grow in the future. Here are three dividend stocks that should be on your radar.

Capital Power

Capital Power (TSX:CPX) is a perfect stock for investors seeking stable passive income. The company's power-producing assets are backed by the long-term power-purchase agreement that generates predictable and growing cash flows and supports its higher dividend payments.

Capital Power's annual dividends have grown at a compound annual growth rate (CAGR) of about 7% since 2013. Meanwhile, the company expects to increase it by 7% in 2021 and by 5% in 2022. Its stable business, a young fleet of assets, power purchase agreements, and low payout ratio suggests that its dividends are safe and could continue to increase in the coming years.

Also, Capital Power's low valuation strengthens my bullish outlook. Capital Power is trading at a forward EV/EBITDA multiple of 8.8, which is more than 30% lower than its peer group average. The company pays an annual dividend of $2.04 a share, reflecting a yield of 5.6%.

TC Energy

Pipeline giant **TC Energy** (TSX:TRP)(NYSE:TRP), could be another top bet for investors seeking a growing passive income. The company's regulated and contracted assets generate robust cash flows that drive its dividend payments.

TC Energy has raised its dividends at a CAGR of 7% from 2000 to 2015. Meanwhile, it raised its dividends at a CAGR of 8-10% from 2015 to 2020. In the future, TC Energy projects 8-10% growth in its annual dividend for 2021. Furthermore, it expects a 5-7% increase in its annual dividend beyond 2021.

The company's diversified and high-quality assets remain immune to the short-term volatility in price and volumes. Moreover, its growing asset base, long-term contracts, and limited commodity exposure positions it well to consistently increase its dividends in the future.

The energy infrastructure company raised its dividends for 20 years in a row and offers a high yield of 5.8%.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a must-have stock for your income portfolio in 2021. The Dividend Aristocrat owns a low-risk business and derives 99% of its earnings from the rate-regulated utility assets, producing predictable and growing cash flows.

Thanks to its high-quality assets, Fortis has managed to increase its dividends for the past 47 years uninterruptedly. Moreover, the company is projecting 6% annual growth in its dividends over the next five years.

The utility company expects its rate base to increase by $10 billion over the next five years, which is likely to support its earnings and cash flows, in turn, its dividends. Fortis pays a quarterly dividend of $0.51 a share, reflecting a yield of 3.9%.

Final thoughts

All these Canadian companies have clear visibility on future dividends, implying that investors could continue to benefit from a growing passive income stream in 2021 and beyond.

CATEGORY

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2. NYSE:TRP (Tc Energy)
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4. TSX:FTS (Fortis Inc.)
5. TSX:TRP (TC Energy Corporation)

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Date
2025/08/22
Date Created
2021/01/21
Author
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