



Passive Income: 3 Canadian Dividend Stocks You Need to Own

Description

Canadians love their dividend and income-focused stocks! Who doesn't want to get passive income in their pocket every month or every quarter? Plus, dividend stocks are a great hedge for a number of reasons.

Why dividends are so great

First, generally they provide income, no matter what is going on in the stock market. So long as the business produces stable cash flows (often contracted or regulated) and has a solid balance sheet, your dividend income should be relatively stable. It's a great hedge against market volatility.

Second, divided growth stocks particularly, are a great hedge against inflation. [Great dividend companies](#) can often raise their dividends faster than inflation, meaning the cash in your pocket keeps growing.

Frankly, it's nice to get a tangible cash return in your investment account on a regular basis. It's like owning a money tree. You plant the seed and harvest the fruit all year round.

A Canadian dividend safety stock

One great Canadian dividend stock to own in 2021 is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)). There is nothing overly exciting about its business. It owns and operates electricity/natural gas transmission and distribution assets across North America. Yet, that is why it is a great stock to have in your portfolio. 99% of its assets are regulated, so it has a great stable baseline of annual cash flows. Everyone needs power and natural gas, so demand is always stable.

Yet, this [Canadian company](#) is growing. It has a five-year \$19.6 billion capital plan that is expected to annually expand its rate base and cash flows by 6% per year, which means dividends should grow by at least that annual rate. The capital plan will mostly be self-funded, so current shareholders will get to enjoy all those returns. The stock looks pretty reasonably priced right now and it pays a great 3.8%

dividend.

A Canadian dividend growth stock

Another Canadian stock you should own for passive, sleep-easy income is **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)). (Sorry, another boring utility). However, Algonquin actually is pretty exciting. 70% of its business comes from three different utilities (water, natural gas, and electricity). Yet, the remainder comes from operating and developing a growing network of renewable power projects.

The company operates primarily in the U.S. and should see a nice boost of opportunities under the Joe Biden administration. It has a five-year, \$9.4 billion capital plan that is expected to expand adjusted net earnings by 8-10% annually. This Canadian stock already pays a nice 3.5% dividend, but that should grow annually by the same rate as earnings.

A passive income value stock

Many real estate stocks are cheap due to concerns surrounding the pandemic. This Canadian stock in particular, is a bargain today. While it is **TSX**-listed, there is not much Canadian about its business.

BSR REIT ([TSX:HOM-U](#)) owns 34 apartment complexes exclusively in the U.S. Sunbelt states. It has positioned itself in some of the fastest-growing employment hubs (Austin, Houston, Dallas) in the U.S. Its apartment are affordably priced (~\$900/month) and have performed very well through the pandemic (98% of rent has been collected).

The company has steadily been cycling its portfolio into newer, more attractive properties that should generate significant long-term rental growth. The stock pays a nice 4.5% yield and is being valued at a 15-20% discount to peer property values. This stock should experience a nice recovery out of the pandemic and you get paid a great dividend while you wait.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)
5. TSX:HOM.U (BSR Real Estate Investment Trust)

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Date

2025/06/30

Date Created

2021/01/29

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