Buy These 3 Dividend Stocks to Create a Sizeable Passive-Income Stream

Description

Do you want to save more money than what you are saving right now? There are a few ways you can go about it. You can start cutting down your necessary expenses/discretionary spending a little more brutally in order to save more. Or, you can increase your income. If more money is flowing into your pocket, you might be able to save more without adapting to a frugal lifestyle.

One of the best ways to increase your income is to create a passive-income stream. This won't unnecessarily burden you, but it will save you time and effort and might still allow you to increase your savings. An affordable way to create a passive-income stream is buying dividend stocks in your TFSA. Let's assume you have set aside $45,000 in your TFSA for a passive income.

An independent power-generation company

Capital Power (TSX:CPX) is an Edmonton-based power-generation company that relies on multiple energy sources to produce electricity. Right now, only 27% of its EBITDA comes from renewable energy sources, 43% from natural gas, and the rest from power plants that use both natural gas and coal. But the company is planning to go off coal by 2023.

Capital Power's revenues depend upon the contracts and prices it lands with the distribution companies in the Alberta power market. The company has been slowly growing its revenue and performed well in 2020 as well. It offers a generous yield of 5.8% right now. If you invest $15,000 in the company, it will produce $72.5 a month for you in tax-free income.

A telecom company

Like the Canadian banking sector, the telecom sector is highly consolidated as well, and three companies cover the bulk of the market. **Telus** (TSX:T)(NYSE:TU) is one of those big three. The company has a decent variety of businesses and a significant number of subscribers in each business segment. It has over 10 million wireless subscribers and over two million internet subscribers.

The company looks well poised for growth in the 5G market. It might initiate the next phase of telecom growth, and not just for Telus, but for the other major telecom companies as well.

Telus has been growing its dividends for 17 consecutive years, and it's currently offering a decent yield of 4.5%. At an investment of $15,000, Telus can offer you $56.25 a month.

A real estate aristocrat

SmartCentres REIT (TSX:SRU.UN) has been growing its dividends for the past six years. The REIT has a retail-focused portfolio of 167 properties. It has 3,400 different tenants, the most prominent of which is **Walmart**, which anchors 115 of SmartCentres properties. The company has about $10.7 billion in assets and a vision for the future: smart buildings that combine residential with commercial real estate assets.

SmartCentres has never been much of a capital growth prospect, but it *has* been generous with its dividends. It kept increasing its payouts, even when the payout ratios got painfully high, and the company seems unwilling to break its dividend-growth streak. At its current yield of 6.8%, it can convert a $15,000 investment into $85 a month.

Foolish takeaway

The monthly payout of the three companies combined comes out to about $213. It might not be enough to help you out with major expenses, but if you have a growth portfolio that offers 10% returns each year, the $2,556-a-year passive income can grow into a $465,000 nest egg in about three decades. You might be able to create an entirely separate nest egg with just your passive income by going into the right stocks.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CPX (Capital Power Corporation)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
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