



Self-Employed? How to Get Passive Income With Dividend Stocks

Description

Self-employed Canadians could experience volatile income. You can improve your overall income stability by getting income from multiple sources. Specifically, you can earn income from performing similar jobs from different clients or companies. But that's active income and time is limited.

Investing excess cash for passive income can help tremendously. Some Canadians invest in real estate or farmland. Others prefer to invest in dividend stocks for passive income. Here are the perfect dividend stocks to buy and hold.

Enbridge stock

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) provides a very generous dividend yield of 7.1%. The leading North American energy infrastructure company offers a big dividend because of many years of dividend increases and the dividend stock trades at a reasonable valuation.

For every \$10,000 invested, you would get about \$59 of passive income per month. Notably, that income will at least keep pace with inflation and maintain your purchasing power without you lifting a finger!

Enbridge is proud of its low-risk pipeline and utility business model that generates consistent cash flow to deliver a safe dividend. Through 2023, management estimates that Enbridge can grow its distributable cash flow by 5-7% per share. So, the high-yield stock can safely increase its dividend by about 3-5% per year in that period.

Brookfield Infrastructure

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) is an even more diversified business than Enbridge. Other than energy infrastructure assets, its portfolio also includes utility, transport, and data infrastructure. Moreover, other than in North America, it also operates in South America, Europe, and the Asia-Pacific region.

Brookfield Infrastructure's operational expertise and diversified business coupled with its ongoing capital recycling program should allow it to continue outperforming. Since its inception in September 2009, TSX:BIP.UN has delivered annualized returns of about 24%, beating the market and the peer group by a wide margin.

[BIP](#) starts you off with a nice 3.7% yield. Additionally, management aims to increase its cash distribution by 5-9% per year, providing income growth that will outpace inflation.

Currently, the quality dividend stock is within fair value range, as the consensus analyst target suggests a small discount of about 7%.

Some Canadians prefer to buy and hold **Brookfield Infrastructure Corporation** shares that are economically equivalent to BIP shares but pay out qualified dividends. Just note that BIPC shares trade at a stark premium of about 34% to BIP shares and therefore provides a much less attractive yield of 2.8%.

Personally, I hold BIP shares in my Tax-Free Savings Account (TFSA) and RRSP. The ones in the TFSA had negligible tax deductions of about 0.04% in 2020, while there were no deductions at all in RRSP.

The Foolish takeaway

It's great to develop your self-employment career, but it can be just as rewarding (if not more so) to build your passive-income portfolio from scratch. Determination and persistence can result in a dividend portfolio that generates passive income that exceeds your active income!

One tip is that you would probably want to populate your diversified portfolio with a mix of dividend stocks. Some have high yields while others provide higher growth that leads to outperforming total returns, and high income growth.

Examples of dividend stocks with small yields but high growth you can explore, include **Boyd Group Services**, **Dollarama**, and [Enghouse Systems](#). Their 10-year returns are about 37%, 28%, and 28%, respectively. Once you get high total returns from this group, you can switch to higher yield stocks anytime if you need that extra income!

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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