2 TSX Dividend Stocks to Buy and Hold for Decades

Description

One thing many investors fail to understand is that there is a difference between passive income and a second income source. Take a rental property as an example. If you are collecting the rent yourself and taking care of the maintenance of the property, it's almost an *active* source of income, which requires you to be actively involved, though not as much as your primary income sources (a job or a business).

There is a lot of difference between a passive income generated by rent and one generated by, say, dividends. The latter is truly passive, as you don't have to become involved in the income-generation process. Apart from the returns and barriers to entry, how passive a passive income truly is might be an essential factor to consider.

And if you are going with dividend stocks, there are two you might want to keep in mind, especially for a long-term passive income.

A banking aristocrat

You can hardly go wrong with a Canadian bank when it comes to dividend stocks, especially if you are going with the "king" of the sector: **Royal Bank of Canada** (TSX:RY)(NYSE:RY). The largest bank in Canada is currently offering a modest 3.5% yield, bundled together with its characteristic stability and a moderate capital growth potential.

The bank is expected to benefit from the economic recovery and regulatory ease-up, as per Zack Equity Research. The bank also got an excellent (A) financial rating from AM Best, and quite a few analysts are giving the "buy" signal for this reliable security.

The bank has been operating for over a century, and it has a decent dividend-growth streak. It's unlikely to slash its dividends, and there is a high probability that it will keep growing its payouts for the foreseeable future. That makes it a perfect long-term holding for dividends.

A telecom aristocrat

If a high yield is something you are more interested in, then **BCE** (TSX:BCE)(NYSE:BCE) might be a strong contender. The telecom giant is offering a mouthwatering yield of 5.9%. The payout ratio hasn't normalized since 2020, but the revenues have finally recovered from the slump they were in last year. If the net income stabilizes even more by the next quarter, the payout ratio might come down to safer levels.

BCE's long-term growth (based on its 10-year CAGR) is not exactly on par with the Royal Bank, but it's in the same two-digit neighborhood. The company has a dominant place in its industry, and it's expected to experience a surge in return with the full-scale rollout of 5G. The company has a stellar dividend streak, and even if it doesn't pay off well in the capital growth department, locking in the current high yield might be a smart idea.

Foolish takeaway

If you want to create a substantial passive income that might augment your primary income source, you will have to invest a significant sum in the two companies. But if you are working with relatively limited capital *and* a relatively small dividend-based income might not be much help to you, consider re-investing the dividends.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks

2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2021/05/15
Author
adamothman