Passive Income: 1 Simple Dividend Stock Strategy

Description

By sticking with this one simple passive dividend income strategy, no transition is required for investors from their working days to retirement. So, pretty much from day one of building the dividend stock portfolio, you're also building it with retirement planning in mind. That is, the dividend portfolio will serve as an important generator of your retirement income.

First, choose leaders from industries that tend to provide secure dividend income. Second, add these dividend stocks to your potential buy list. Third, strategically buy these wonderful businesses when they're attractively priced. Finally, review your list at least once a year to add or remove companies and determine what's a good price range or yield range to buy.

Here are some dividend stocks to potentially add to your buy list. They include **Royal Bank of Canada**, **Toronto-Dominion Bank**, **National Bank of Canada**, **goeasy**, **Fortis**, **Brookfield Infrastructure Partners L.P.**, **Intact Financial**, **Sun Life**, **Canadian Apartment REIT**, **Granite REIT**, **Canadian Net REIT**, **Rogers Communications**, **TELUS**, **Jamieson Wellness**, **Enghouse Systems**, **Open Text**, **Magna International**, and **Savaria**.

Many of these stocks are Canadian Dividend Aristocrats with a pattern of raising their dividends over time.

Before this becomes a passive investing strategy…

You'll need to put in initial work, such as doing your due diligence on the businesses. The lower the number of stocks you're working with, the less you need to keep up with but also the more concentrated your dividend (and eventual retirement) portfolio would be.

Have a target portfolio in mind. For example, you might put about 12% of the portfolio in each sector or industry of utility, bank, insurance, real estate, telecom, healthcare, technology, and industrial.

The above list of dividend stocks all trade on the **TSX**. You would find many more dividend stock ideas on the U.S. exchanges. Particularly, it's a good idea to explore U.S. tech and healthcare stocks that provide more variety.

Passive income by retirement

If you strategically buy dividend stocks when they're attractively priced, you could choose to hold the stocks for a long time, even through retirement. For instance, if you picked up Fortis stock for an initial yield of 4.2% in 2009, you would be sitting on a yield on cost of about 8.3% today.

Getting a consistent return of more than 8% from dividend income alone from a stable utility is a nice reward for long-term shareholders. Its payout ratio is sustainable and dividend increases of about 6% per year through 2025 are expected.

Which dividend stocks are attractive today?

Many of the dividend stocks are reasonably priced with the following that appear to be attractively valued today: goeasy, Rogers Communications, Canadian Net REIT, Jamieson Wellness, Enghouse Systems, and Savaria. They provide initial yields of 1.1% to 3.8%. Typically, stocks that provide a lower yield tend to deliver higher growth (and dividend growth).

For example, investors who bought goeasy stock in 2015 for an initial yield of 2% would be sitting on a yield on cost of over 13%!

Interested investors should perform their own research to determine if these dividend stocks make a good fit for their passive income portfolios.

The Foolish investor takeaway

If you build a quality, diversified portfolio of dividend stocks over many years by buying opportunistically when the stocks are attractively valued, you can hold the shares through retirement for a growing passive income.

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