Passive-Income Investors: 2 Top Dividend Stocks to Buy in July

Description

Pensioners and other passive-income investors are searching for top Canadian dividend stocks to add to their portfolios. The overall **TSX Index** looks overbought today, so it makes sense to seek out leading dividend-growth stocks that should hold up well when the market corrects.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with more than $50 billion in assets located in Canada, the United States, and the Caribbean. Power production, electric transmission, and natural gas distribution might not sound like exciting investments, but passive-income investors are searching for cash flow stability, not entertainment.

Fortis gets most of its revenue from regulated assets. This means the company and its investors have a pretty good idea of how much cash flow is going to come in each year. Homeowners and businesses need to keep the lights on and run their appliances regardless of global economic or geopolitical events.

Fortis reported strong Q1 2021 results and has a $19.6 billion capital program on the go that will drive the rate base up more than 30% over five years. This is good for dividend investors who want to buy stocks with good guidance on cash flow growth. As the projects are completed, Fortis expects cash flow to rise enough to support average annual dividend increases of 6% through 2025. Additional developments are under consideration. If these get added to the capital plan, the distribution hikes could be even higher.

Fortis has raised the payout in each of the past 47 years, so the guidance should be solid. Investors searching for passive income shouldn't have to worry about a pullback in the market. Any drop in the share price should be viewed as an opportunity to add to the position.

Investors who buy Fortis stock today can pick up a 3.6% yield. That's lower than some other opportunities in the market, but you have great guidance on dividend hikes that will make up for the difference over time.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications firm with a market capitalization of $56 billion. The stock is a long-time favourite among passive-income investors for its generous distribution and reliable dividend growth.

BCE enjoys a wide competitive moat, and its core revenue comes from services that people are unlikely to give up, even when times get tough. A mobile phone and internet access are considered essential services these days. In addition, home security is a growing business for BCE, as people want remote monitoring capability and are using more smart-home products.

BCE continues to invest in its fibre optic and 5G initiatives. This helps protect its competitive position and opens up new revenue opportunities.

The stock is moving higher in 2021, as investors anticipate a rebound in the media business. Lucrative roaming fees should also bounce back next year with business and holiday travel expected to increase. Despite the rally over the past four months, BCE stock still trades below its pre-pandemic price.

Investors who buy the shares at the time of writing can pick up a 5.6% dividend yield.

The bottom line on passive-income investing

Fortis and BCE are top Canadian dividend stocks that should be good picks right now for a passive-income portfolio. An equal investment between the two would provide an average yield of 4.6%. That's much higher than any GIC and you benefit from the annual increase to the payouts.

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