3 Generous Stocks for a Monthly Passive Income

Description

One of the reasons people prefer dividend stocks over other modes of creating a passive-income stream is that they actually are passive. You don't have to collect rent as a landlord or liquidate your stocks at precisely the right time to gain maximum benefit. They are a true set-it-and-forget-it asset class. Dividend stocks are potent assets whether they are in your RRSP or TFSA, but if your goal is an income stream, the TFSA is the account to go.

There are three stocks you might consider if you are planning on creating a passive-income stream.

A senior care company

Sienna Senior Living (TSX:SIA) is in a very stable business: senior care. The ratio of privately owned and publicly owned long-term-care facilities is quite balanced in Canada (54% to 46%) overall, but the province-wide picture is quite different. There are very few private facilities in Quebec, and more than 50% of long-term-care facilities in Ontario are private.

The bulk of Sienna's retirement residences and long-term-care facilities are in Ontario, but the company also has a decent presence in British Colombia. Thanks to the nature of its clientele, Sienna is a financially stable business, where the revenues are almost static. This makes the mouth-watering 6% yield that Sienna is offering quite reliable.

A financial company

Power Corporation of Canada (TSX:POW) is a very misleading name. The name itself gives the impression of an entity involved with power or energy, but it's actually a holding company. Power Corporation has a wholly owned subsidiary called Power Financial, which is made up of three publicly traded companies: two in Canada and one in Europe.

Power Corporation also has a substantial stake in the Chinese market. Thanks to a decent selection of underlying businesses, Power Corporation stock has been quite stable for a relatively long time. It hasn't been a growth stock for a while, but the post-pandemic recovery has been quite a boon for its capital appreciation potential, and the stock has grown 60% in the last 12 months alone.

But a more compelling reason to consider this company is its reliable 4.3% yield.

A mortgage company

The mortgage business has been booming in the country, thanks to the overly heated housing market. This allowed the usually slow-growing stock like **First National Financial** (TSX:FN) to rise up 130% between the crash valuation and its April 2021 peak. The momentum is slowing down, and the stock has already slumped about 12% since its April peak.

But what has been bad for the capital appreciation has been good for the yield, which is about 6.1% right now. And even though the stock looks quite expensive if you consider the price-to-book ratio of 5.2 times, the price-to-earnings ratio is very reasonable at 11.2. As the largest non-bank mortgage lender in the country, First National also has a significant competitive edge.

Foolish takeaway

The TSX is home to many generous and stable dividend stocks, making it an ideal exchange for accumulating a decent collection of income-producing assets. While it's a good idea to diversify and add growth stocks to your portfolio as well, you should seek diversification within dividend stocks as well to stay sheltered against potential dividend cuts.

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1. Dividend Stocks
2. Investing

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2. TSX:POW (Power Corporation of Canada)
3. TSX:SIA (Sienna Senior Living Inc.)

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