Top 3 Stocks to Buy for Lifelong Passive Income

Description

The average lifespan of a publicly traded company is roughly 20 years. Within two decades, most companies are acquired, merged, or liquidated. That means it's exceedingly difficult to invest in a dividend-paying, passive income stock that can outlive you.

However, some companies have already outlived the average public corporation and are likely to keep paying dividends for several decades ahead. These are either family-controlled brands or operate in robust industries with little disruption.

Here are the top three stocks to buy for lifelong passive income.

Renewable stock to buy

The transition to clean, renewable energy is a trillion-dollar trend that's likely to play out over several decades. **TransAlta Renewables** (TSX:RNW) is at the forefront of this revolution, which makes it an ideal long-term pick.

TransAlta's operations include wind farms, hydroelectric production plants, and natural gas delivery. The company tends to sign long-term energy supply contracts that provide revenue visibility for multiple decades. That's why the team can deliver exceptional dividend growth year after year.

At the moment, the stock is trading at a price-to-earnings ratio of 39 and offers a dividend yield of 4.7%. It's an excellent target for investors looking at a lifelong passive income opportunity.

Family-controlled stock to buy

Montreal-based Canadian dairy company **Saputo** (TSX:SAP) has been controlled by the Saputo family since 1954. That means it has outlived most other megacorporations on the Canadian stock market.

Over time the team has cemented its position as Canada's leading dairy supplier. That makes it a reliable stock to bet on.

Saputo stock currently trades at a price-to-earnings ratio of 27 and offers a 2% dividend yield. While the yield isn't much, it's utterly reliable. The government supports Canada's dairy industry through subsidies, which means the price is remarkably stable. Saputo's 2% dividend yield is as good as a return on a government bond at this point.

Utility stock to buy

Another dividend stock in a tightly regulated market is **Fortis (**TSX:FTS)(NYSE:FTS). By some measures, Fortis is the best passive income opportunity on this list.

Just like TransAlta Renewable, the company's supply contracts tend to stretch for several years if not a decade. That provides substantial visibility for cash flows. Fortis's management team has been prudent with these cash flows, paying out just 75% of annual earnings in dividends.

This cautious approach coupled with long-term contracts has delivered substantial dividend growth for Fortis shareholders. The company has bumped up dividends every year for 46 years. They now predict dividend increases for the next five years or so.

Fortis has steadily expanding dividends and a business model that is immune to disruption. It's the ideal lifelong passive income stock to buy.

Bottom line

Most publicly traded companies are either acquired or liquidated within 20 years. However, some family-controlled brands in tightly regulated industries are less prone to disruption. This means you can rely on them for lifelong passive income. Add these top picks to your watch list.

CATEGORY

1. Investing

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2. TSX:FTS (Fortis Inc.)
3. TSX:RNW (TransAlta Renewables)
4. TSX:SAP (Saputo Inc.)

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