



Passive Income: 2 Simple Buy-and-Hold Dividend Stocks

Description

Anyone can appreciate passive income. Imagine money rolling into your pocket on its own, no matter the health of the economy. Well, there's one thing that you must do first: buy shares of dividend stocks you can hold for a long time.

Excellent buy-and-hold dividend stocks are driven by wonderful businesses. Here are some examples of wonderful businesses you can rely on for perpetual passive income.

Brookfield Infrastructure

A quick way to check a dividend stock's validity is to look at its dividend history. **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has increased its cash distribution every year for more than a decade since it began trading as a separate entity from its parent company. Its 10-year dividend-growth rate of 11.4% is superb.

It's reassuring to hold dividend stocks like BIP that increase their dividends year in and year out for growing passive income. The utility stock has a track record of expanding its diverse global infrastructure portfolio while increasing its cash flow on a per-share basis. Moreover, it targets a safe payout ratio of 60-70% that leaves ample cash flow to grow the business.

After delivering defensive results during the 2020 pandemic year, the utility has experienced a strong rebound in growth this year — year to date, funds from operations per unit (FFOPU) have jumped 19%.

BIP is an active investor that seeks value in quality assets. It has a capital-recycling program that witnessed the sale of assets, totaling proceeds of about US\$2 billion in the last 12 months. As it deploys this capital, it expects to earn higher returns.

For example, it's getting really close to privatizing **Inter Pipeline** and getting nice returns from doing so. Part of that came from loading up IPL stock when it was trading at basement prices during the pandemic market crash last year.

Currently, reasonably valued BIP stock is good for a yield of almost 3.7%. Investors can expect another dividend hike of at least 5% in February.

Canadian Net REIT

The dividend-paying track record of **Canadian Net REIT** ([TSXV:NET.UN](#)) is great. Cash distribution increases every year since 2013 — specifically, a growth rate of 10.2% in the period. That's extraordinary growth versus its Canadian real estate investment trust (REIT) peers.

You'll like Canadian Net REIT on multiple fronts. First, it has strong insider ownership of approximately 15%. Since insiders own a big piece of the business, they have great incentive to run the business in the best interest of unitholders.

Second, the REIT runs a low-cost business in that its leases are either triple net or management free, resulting in more secure and predictable cash flow.

Third, its properties are predominantly leased to national tenants who tend to renew when their leases expire. Its overall portfolio has an average lease term to expiry of close to eight years. This again, secures stable cash flow.

Fourth, the REIT has accelerated its dividend growth in recent years with double-digit dividend-growth rate since 2017. This could be because the company is small and growing in scale by acquisitions and development. Last year, its net operating income jumped 38%, adjusted EBITDA climbed 48%, and FFOPU rose 18%.

Its recent dividend increases are encouraging on a recent payout ratio of about 54%. The stock increased its cash distribution by 15% last year and 17% this year. Currently, the undervalued dividend stock is good for a nice yield of 4%.

The Foolish investor takeaway

[Dividend investing](#) in the likes of Brookfield Infrastructure and Canadian Net REIT is as passive as it comes. They're good buys for growing [passive income](#) today. Just note that despite being high-quality businesses, their stocks will still fall when the bear comes out from hibernation. So, be prepared to add more shares whenever their stocks fall meaningfully.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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