



2 Top TSX Dividend Stocks to Buy Now for Passive Income

Description

Retirees and other passive income investors are searching for top **TSX** dividend stocks to add to their Tax-Free Savings Account ([TFSA](#)) portfolios.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) owns \$56 billion in utility businesses that include power generation, electric transmission, and natural gas distribution assets. The company is based in Canada, but the largest part of the assets is located in the United States. Fortis also has operations in the Caribbean.

Fortis has a great track record of growing through a combination of strategic acquisitions and internal development projects. The company is currently working on a \$19.6 billion capital program that will expand the rate base by more than a third from 2020 to 2025. As a result, revenue and cash flow growth are expected to support average dividend hikes of at least 6% over the next four years.

Fortis is evaluating additional projects that could boost the size of the current capital program or extend the timeline on the development portfolio. The company might also look to make another large acquisition while borrowing costs are cheap and the Canadian dollar is strong. Fortis hasn't done a large deal since 2016 when it spent US\$11 billion to buy Michigan-based ITC Holdings, an electric transmission company.

The board raised the dividend in each of the past 47 years, so investors should feel confident the guidance is reliable. Fortis gets most of its revenue from regulated businesses. This makes cash flow predictable, which is great for investors seeking steady passive income.

The stock tends to hold up well when the broader market hits a rough patch, making Fortis a good defensive pick for a diversified portfolio. At the time of writing, the dividend provides a 3.5% yield.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is an interesting company in the utility sector. Like Fortis, Algonquin Power owns natural gas distribution utilities, as well as wastewater management and water distribution businesses. The other side of the business is all about renewable power. Algonquin Power has solar, wind, thermal, and hydroelectric assets in operation and under construction.

Management continues to expand the company through strategic acquisitions and organic projects. The renewable energy industry has a bright future as governments push to get more power from renewable sources. Algonquin Power currently has a market capitalization of \$12 billion, so it is large enough to do bigger deals, while still at a size that could make it an attractive takeover target for larger utility companies or alternative asset managers seeking to boost their [ESG](#) holdings.

The board raised the dividend by 10% in 2021 and generous payout hikes should continue in the next few years supported by the activation of new assets and potential future acquisitions. Algonquin Power trades close to \$19.50 at the time of writing compared to the 2021 high around 22.50, so investors have a chance to pick up the shares at a decent price and secure a 4.3% dividend yield.

The bottom line on passive income

Fortis and Algonquin Power are top TSX dividend stocks with long histories of distribution growth. If you have some cash to put to work in a portfolio focused on passive income these companies should be attractive defensive picks right now.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)

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