Top 3 Passive Income Stocks to Buy in October

Description

One thing is for certain: the incredible bull run that began in early 2020 will at some point come to an end. But exactly when that will happen is anybody's guess.

What we do know is that the market is richly valued today. How richly valued may be up for debate, but there's no denying that the **TSX** is full of companies trading at all-time highs with frothy valuations.

As more of a growth investor myself, I'm used to owning companies with price-to-sales multiples above 20. But the market's current valuation now has me looking to be more defensive with my next few buys.

Regardless of how long the current bull run continues, I'm betting that the volatility we're seeing in the market right now will not be going away anytime soon.

With that in mind, I've got three reliable dividend stocks at the top of my watch list this month. I'll gladly earn some passive income while these defensive stocks can help balance out some of the higher-growth picks in my portfolio.

Dividend stock #1: Algonquin Power

Utility stocks are some of the most defensive companies to invest in. Regardless of the economy's condition, utility bills will likely rank as one of the most important to pay. So even when the economy is struggling, investors can leverage utility stocks to help offset volatility and potential losses.

There's a lot to like about this dividend stock. **Algonquin Power** (TSX:AQN)(NYSE:AQN) is dependable, owns a top yield, and is no stranger to delivering market-beating growth.

At today's stock price, Algonquin Power's annual dividend of $0.86 per share is nearing a yield of 5%. In addition to that, shares are up a market-beating 60% over the past five years.

The company's exposure to the growing renewable energy market is why I'm betting that the market-beating growth is just getting started.

Dividend stock #2: Royal Bank of Canada

The Canadian banks own some of the longest dividend payout streaks on the TSX. While they may not be the highest yields, if you're looking to build a passive income stream that you can count on quarter after quarter, at least one of the Big Five should be on your watch list.

Royal Bank of Canada's (TSX:RY)(NYSE:RY) market cap of $180 billion has it ranked as the largest bank in the country. It's also the second-largest company on the TSX, behind only **Shopify**.

The Big Five are all reasonably priced, which is one of the reasons why I've got RBC on my radar. Shares of the bank stock are trading at a favourable forward price-to-earnings ratio of barely over 10.

It's slow and steady for this Canadian bank. If passive income is your main objective, then there's absolutely nothing wrong with a stock being boring.

Dividend stock #3: Telus

Last on my list of top dividend stocks is telecommunications giant, **Telus** (TSX:T)(NYSE:TU).

The company's dividend yields a juicy 4.5% return but the stock's performance has lagged the market's returns in recent years. That may change over the next decade, though.

One of the reasons I have Telus on my watch list this month is due to the growth opportunity of 5G technology. There are many companies that stand to benefit from the expansion of 5G technology, and that certainly includes telecom providers.

If you're looking for a stock with a top dividend yield that also has the potential to earn market-beating growth, Telus is definitely worth considering.

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TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TU (TELUS)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:RY (Royal Bank of Canada)
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