Passive-Income Investors: 3 Stocks to Consider Today

Description

Being able to generate a source of passive income is one of the most attractive aspects of investing in the stock market. However, it's important that investors choose the right companies to put money towards. Going about this the wrong way could lead to investors losing money over the long term.

One factor that investors often look for when considering which dividend stocks to include in a portfolio is a stock's dividend yield. Often, high-yield dividend stocks are favoured over companies with smaller yields. However, that's not the right way to look at it. In fact, there were companies that offered dividend yields as high as 75% in 2020, as a result of plummeting stock prices. After a short while, some of those companies even ended up cancelling their dividend programs.

So, how can investors make sure they're looking at the right companies? In this article, I'll discuss exactly that while focusing on three great dividend stocks to consider today.

Start with a trusted oligopoly

The Canadian banking industry is dominated by a group of companies known as the Big Five. There's a great likelihood that your bank account is provided by one of these companies. Investors really enjoy allocating funds towards these companies because of how highly regulated the Canadian banking industry is. These regulations make it very difficult for new competitors to enter the industry and displace the leaders. Of that group, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is my top choice.

Bank of Nova Scotia is an outstanding dividend company with interesting growth potential. The company is exposed to the Pacific Alliance, which is a region that economists are forecasting will grow at a faster rate than the G7 over the coming years. If that happens, investors could see massive gains. Bank of Nova Scotia offers investors a forward dividend yield of 4.62%. With a relatively low payout ratio of 50.35%, Bank of Nova Scotia could continue raising its dividend in the future.

This stock has raised its dividend for almost five decades

In addition to a strong moat, investors should look for companies that have a long history of raising dividends. This gives investors the opportunity to see their passive income grow alongside (or faster than) the rate of inflation. One company that does this better than almost every other company is **Fortis** (TSX:FTS)(NYSE:FTS). Fortis has managed to raise its dividend in each of the past 47 years. Currently, only one company has an active dividend-growth streak longer than Fortis.

This company can attribute its success to the recession-proof nature of its business. Fortis provides regulated gas and electric utilities to 3.4 million customers across Canada, the United States, and the Caribbean. Fortis offers a forward dividend yield of 3.85%. If you're looking for a top dividend stock, this should be one of the first companies you consider.

A small-cap stock with amazing growth

Dividend stocks are often larger, more mature companies. However, there are some small-cap stocks that offer investors a great dividend alongside the opportunity to see lots of capital appreciation. One such stock is **goeasy** (TSX:GSY). This company provides high-interest loans to subprime borrowers and sells furniture and other home goods on a rent-to-own basis. Because of the nature of its business, goeasy saw massive increases in revenue over the course of the pandemic.

In terms of capital appreciation, goeasy stock has managed to gain 167% over the past year. Since hitting its lowest point during last year's market crash, goeasy stock has gained more than 530%! In addition, goeasy has managed to increase its dividend more than 700% over the past seven years. This makes it a very attractive dividend stock. Investors should note that its forward yield is quite low at 1.37%. However, with a payout ratio of only 16.63%, the company should have no issues raising its dividend in the future.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:FTS (Fortis Inc.)
5. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jedlloren
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/08
Date Created
2021/10/07
Author
jedlloren