Looking for Passive Income? Invest in These 3 Canadian Stocks

Description

Creating a source of passive income should be a goal of all investors. By building a strong enough source of passive income, investors can supplement and eventually replace their primary source of income. This could give you the opportunity to spend more time on the things you'd like to do instead of being tied down to your job. In this article, I'll discuss three top Canadian stocks that could provide you with excellent passive income.

This company has a strong history of increasing dividends

The first company that investors should consider holding as a source of passive income is **Fortis** (TSX:FTS)(NYSE:FTS). When looking for dividend stocks, investors should focus on companies that have a long history of paying dividends year after year. That's exactly what Fortis is known for. The company is known as a Canadian Dividend Aristocrat. In fact, it currently holds the second-longest active dividend-growth streak in Canada at 47 years.

Fortis may be able to attribute its reliable dividend to the nature of its business. As a provider of regulated gas and electric utilities, Fortis often sees consistent demand for its services regardless of the economic condition. As of this writing, Fortis stock offers a forward dividend yield of 3.81%. Therefore, a $10,000 investment would net you $381 per year in dividends.

Here's a company that has been able to grow its dividend at a fast rate

While finding companies that increase dividends over time is certainly an important factor to consider, it's hardly the only thing to consider. Investors should also look for companies that are able to increase dividends at a faster rate than inflation. This ensures that the passive income you receive from these stocks doesn't lose value over time. A great example of such a company is **goeasy** (TSX:GSY).

Another Canadian Dividend Aristocrat, goeasy has managed to increase its dividend each year since

2015. Over the period, goeasy's dividend has increased at a compound annual growth rate of more than 30%. Even more impressively, goeasy's payout ratio is stunningly low (16.34%). This suggests that the company should be able to continue growing its dividend over the coming years.

Stick to blue-chip companies

If you're still having trouble finding dividend stocks to add to your portfolio, narrow your focus on blue-chip companies. These are companies that are well established and have a large presence in their respective industries. In Canada, the **S&P/TSX 60 Index** is a great place to start looking. The companies listed in that index are regarded as leaders in leading industries within the country. An example of a blue-chip stock investors should consider is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM).

With a portfolio of more than $625 billion, Brookfield is one of the largest alternative asset management firms in the world. Its portfolio is very diversified, featuring assets in the real estate, infrastructure, and utility industries. Currently, Brookfield's dividend yield is nothing too impressive (0.86%). However, it does maintain a very low payout ratio (28.25%). Like goeasy, it's very likely that Brookfield will continue increasing its dividend over time.

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3. TSX:BN (Brookfield)
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Date
2025/07/04
Date Created
2021/11/10
Author
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