# Passive-Income Investors: These 3 Stocks Should Be in Your Portfolio

**Description**

Investing in dividend stocks is likely the easiest way to build a source of passive income. By holding enough shares of solid dividend-paying companies, investors will be able to supplement, and eventually replace, their primary sources of income. However, choosing the right dividend stocks requires investors to follow a disciplined stock-picking approach. Here are three dividend stocks that should be in your portfolio if you wish to build sustainable passive income!



## Look for companies with this trait

When looking for dividend stocks to add to your portfolio, it's important that you choose companies with a solid track record of paying dividends. The best way to determine this is by looking at a company's dividend-growth streak. This metric not only tells you how long a company's been able to pay dividends, but whether its dividend is growing year after year. If a company can grow its dividend for five years in a row, it is labelled a Canadian Dividend Aristocrat.

Of the Canadian Dividend Aristocrats, two companies rise above the rest. My top choice between those two companies is **Fortis**. It has a dividend-growth streak of 47 years. To put that into perspective, Fortis was able to increase its dividend through the dot com bubble, the Great Recession, and the COVID-19 pandemic. In addition, the next-longest dividend-growth streak is more than a decade-and-a-half shorter (31 years). Fortis is a top stock, deserving of a spot in a dividend portfolio.

## Make sure you beat inflation

When looking for dividend stocks, investors should also take note of how fast a company's dividend grows each year. This becomes especially important when inflation is rampant. If a company's dividend isn't able to keep up with the inflation rate, then your passive income won't be as attractive in the following years. One company that has managed to increase its dividend much faster than the inflation rate is **goeasy** (TSX:GSY).

It has managed to raise its dividend each year since 2015. In 2014, goeasy's dividend was $0.085 per share. The next year, the company raised its dividend to $0.1 per share, representing a nearly 18% increase. Since then, goeasy's dividend has increased another 660%! That represents a CAGR of nearly 37%. If you're looking for a stock that can keep you ahead of inflation, goeasy is the way to go.

## Look at blue-chip companies with a solid moat

If you're still looking for dividend companies to add to your portfolio, take a look at blue-chip companies. For example, the **S&P/TSX 60** is a list of leading companies in leading industries in Canada. By choosing a stock like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), investors can really add stability and reliability to their portfolio.

Bank of Nova Scotia is a great choice, because of the highly regulated nature of the Canadian banking industry. This makes it very hard for new competitors to come in and displace the leaders. Of that group, Bank of Nova Scotia is my top choice because of its growth prospects. However, in terms of dividends, the company seems very solid as well. It offers investors a forward dividend yield of 4.35%, while maintaining a 50% payout ratio. This is one Dividend Aristocrat you should consider for your portfolio.

**CATEGORY**

1. Dividend Stocks
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