Top 3 TSX Stocks to Buy in December for Passive Income

Description

If you are planning to start a passive-income stream, consider buying top dividend stocks. In my opinion, investing in the shares of high-quality dividend-paying companies is the easiest and cheapest way to start a regular inflow of cash. Further, top dividend-paying companies tend to increase their dividends to boost the overall returns of their shareholders.

Let's dig deeper into three stocks that I believe Canadians can consider adding right now for a reliable passive-income stream.

Algonquin Power & Utilities

Shares of **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) are among the most reliable bets to generate a growing inflow of cash. Its ability to consistently generate strong earnings has helped the company to enhance its shareholders' returns through higher dividend payments. It's worth noting that Algonquin Power & Utilities's dividends have a CAGR of 10% in the last 11 years. Moreover, I expect the company to continue to hike its dividends at a similar pace in the coming years.

I believe Algonquin Power & Utilities's $9.4 billion capital program will likely drive its rate base and, in turn, its high-quality earnings base. Further, its regulated assets, expanding renewables footprints, cost-saving initiatives, and strategic acquisitions bode well for growth and will likely support higher dividend payments.

Algonquin Power & Utilities stock has marked a healthy correction and is down about 15% this year. The company makes quarterly payouts and is offering a stellar yield of 5%.

Enbridge

Speaking of high-quality, passive-income stocks, investors could consider adding **Enbridge** (TSX:ENB)(NYSE:ENB) to their portfolios. Thanks to its resilient business and diversified cash flows, Enbridge has consistently paid dividends for about 66 years. Moreover, its dividends have a CAGR of 10% in the last 26 years.

I expect Enbridge to benefit from the recovery in mainline volumes and continued strength in the core business. Meanwhile, its contractual framework, strategic acquisitions, and multi-billion-dollar capital plan could continue to drive a mid-single-digit growth in its distributable cash flows and, in turn, its annual dividend.

Overall, Enbridge's low-risk business model, predictable cash flows, strong capital program, and strong balance sheet augurs well future growth. Furthermore, its dividend-payout ratio is safe and sustainable in the long term. Enbridge pays a quarterly dividend and is yielding 7% at current price levels.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another reliable stock for passive-income investors, and there are good reasons for that. This utility giant has been increasing its dividends for 48 consecutive years. Moreover, it expects its future dividends to grow at a CAGR of 6% over the four years.

Fortis's robust dividend payments are backed by its diversified and high-quality regulated assets that generate predictable cash flows. Meanwhile, Fortis expects its rate base to increase to $41.6 billion by 2026, which will likely boost its adjusted EBITDA and earnings.

Fortis's financial strength, geographic and regulatory diversity, solid capital investment plan, and growing renewable capacity will likely drive its earnings and dividends. Fortis pays quarterly dividends and offers a yield of 3.9%.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:FTS (Fortis Inc.)

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Date
2025/08/20
Date Created
2021/12/01
Author
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