



2 Passive-Income Stocks to Buy in December 2021

Description

With the **TSX** stock market having a recent wobble, December may be a good time to pick up some passive-income stocks. While passive income can come from sources like a small business, a private investment, or real estate, public equities are attractive. Stocks are liquid and affordable to buy and sell. That is a pro and a con.

Think long term, and stocks are a great source of passive income

To make it an investment, you have to think long term. Think of a stock as a piece of a real business, which is not something you trade in or out of.

Day to day and month to month, equities can be very volatile. However, over time, buy-and-hold investing for passive income can be very successful. Two [dividend stocks](#) that look attractive this December are **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)).

Royal Bank of Canada: A top Canadian passive-income stock

On Wednesday, Royal Bank reported solid [fourth-quarter 2021 earnings](#). For the quarter, earnings rose 20% to \$3.9 billion. Diluted earnings per share likewise rose year over year by 20% to \$2.68. This was a 9% decline from the third quarter. Analysts were expecting \$2.80 per share, so the market appears to be somewhat disappointed.

However, it has been a strong year for the bank. Across 2021, it grew earnings per share by over 40%. This was supported by growth across its diversified bank platform.

CEO, Dave McKay reiterated this performance:

"[O]ur overall performance in 2021 reflected strong earnings, premium shareholder performance, and highlighted our ability to successfully navigate a complex operating environment while continuing to invest in talent and innovations to support future growth."
Dave McKay, Fourth Quarter 2021 Earnings Release

Given its strong balance sheet, excess capital, and stable business outlook, this passive-income stock increased its quarterly dividend by 11% to \$1.20 per share. That is equivalent to an annual 3.8% dividend yield going forward. Likewise, RBC announced that it would commence a share-buyback plan for 45 million shares (around 3% of its share count).

Combine [dividend](#) growth, share buybacks, and a stable business platform, and RBC is a great staple passive-income stock to buy and hold for years.

Algonquin Power: A utility with growth

Utilities are a relatively stable way to capture safe passive income and modest capital returns. However, utilities and renewable power stocks have been facing downward pressure in 2021. Algonquin Power has declined nearly 17% this year. However, it appears the stock is starting to flatten out here.

This may be an interesting time to consider this passive-income stock. Today, it is yielding a 4.93% dividend. That is above its historic average yield of 4.2%.

Algonquin has a great track record of acquiring regulated utilities and maximizing profits from those assets. Likewise, for many years it has prudently grown its utility and renewable portfolio in an earnings accretive fashion. This has translated into 10% annual dividend growth for the past 10 years. That dividend growth may slow going forward.

Yet Algonquin is still projecting high-single-digit earnings-per-share growth on a go-forward basis. The dividend will likely grow at the same rate. The company will have its annual investor day this month, so that could be a good catalyst for the market to affirm its story. Frankly, the current decline looks like a gift for passive-income investors looking for a well-covered, growing dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:RY (Royal Bank of Canada)

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