3 TSX Dividend Stocks for Passive Income

Description

Creating a source of passive income is a goal of many individuals. There are many ways to build a source of passive income. One of the most common ways investors manage to do this is by investing in real estate. However, that industry has a fairly high barrier to entry. Therefore, investing in dividend stocks may be the easiest way for you to create a source of passive income. In this article, I'll discuss three **TSX** dividend stocks that can help you get started.

This dividend-growth rate is amazing

When investors look for dividend stocks, it's important that they consider how fast a company is able to increase its dividends. Historically, inflation has increased about 2-3% per year. If your dividend stocks fail to beat that growth rate, then your source of passive income will lose purchasing power over time. Generally, I look for stocks with a dividend growth rate of at least 10%. **goeasy** (TSX:GSY) has smashed that growth rate over the past seven years.

In 2014, the company paid $0.085 per share on a quarterly basis. In 2021, goeasy's quarterly dividend has increased to $0.66 per share. That represents a 776% increase over that period! To put that into perspective, goeasy's dividend has grown at a CAGR of 34% since 2014. That's kept investors way ahead of the inflation rate. goeasy stock is currently trading about 20% down from its all-time highs. However, after gaining as much as 150% over the past year, investors can rest assured that this stock is a real winner.

Leading a very concentrated industry

The Canadian railway industry has played a very large role in developing Canada as we know it. Impressively, after more than a hundred years of relying on this industry, there doesn't seem to be a viable alternative to long-distance transportation of goods. This means that the companies leading Canada's railway industry should remain in high demand in the coming years. Of the two major railway companies in Canada, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is a stock you should heavily consider adding to your portfolio.

The company operates the largest railway network in Canada, with nearly 33,000 km of track spanning from British Columbia to Nova Scotia and as far south as Louisiana. Like goeasy, Canadian National's dividend-growth rate greatly outpaces the rate of inflation. Over the past five years, Canadian National's dividend has grown at a CAGR of 10%. Canadian National maintains a dividend-payout ratio of 36.5%. This suggests that the company has enough room to continue increasing its distributions in the future.

A company that doesn't get enough attention

Alimentation Couche-Tard (TSX:ATD.A)(TSX:ATD.B) operates more than 15,000 convenience stores around the world. For those in English-speaking provinces, you'll recognize this company as Mac's. However, if somehow that still doesn't ring a bell, you may have heard of its many subsidiaries, which include the likes of Circle K and On the Run.

It is known as a Canadian Dividend Aristocrat after having increased its dividends for the past 11 years. However, more impressive than how long the company's been able to increase its distribution is how fast it's managed to grow its dividend. Over the past five years, Alimentation's quarterly dividend has grown from $0.045 per share to $0.11. That represents a CAGR of nearly 20%. Like the other two companies mentioned, Alimentation's dividend-payout ratio is very low (10.6%). This is a top dividend stock investors should consider buying today.

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1. NYSE:CNI (Canadian National Railway Company)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:GSY (goeasy Ltd.)

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