3 Stocks I Would Hold to Generate Sustainable Passive Income

Description

Making money while you sleep is something that many people want to be able to experience in their lives. One way to do that is by investing in dividend stocks. These are stocks that pay shareholders out on a regular basis simply for holding shares in the company. However, investors can't simply buy any dividend stock. Instead, they should choose stocks that have a good chance of continuing to pay reliable dividends over the long term. Doing so will allow investors to replace their primary sources of income.

This is one of the best dividend companies in Canada

If you're looking for a place to start looking for dividend stocks, it would be a good idea to browse through a list of Canadian Dividend Aristocrats. These are companies which have managed to increase their dividend distributions for at least five consecutive years. There are nearly 100 companies currently listed as Dividend Aristocrats on the **TSX**. Near the top of the list, you'll find **Fortis** (TSX:FTS)(NYSE:FTS).

Fortis claims the second-longest active dividend-growth streak in Canada at 47 years. This is very impressive considering how many periods of economic uncertainty have occurred over the past five decades. In fact, just last year, many top dividend companies were forced to cut or suspend dividends due to the COVID-19 pandemic. Fortis's ability to continue raising dividends for nearly 50 years suggests that its management team is capable of allocating capital intelligently. This is a trait that dividend investors should look for.

A growth stock with an amazing dividend-growth rate

Another important quality that investors should look for in a dividend stock is a high dividend-growth rate. This is vital if you're hoping to live off your dividends because a low dividend-growth rate won't be able to keep pace with inflation. This means that your source of passive income will end up losing buying power over time. A company that has shown an excellent ability to grow its dividend at a fast rate is **goeasy** (TSX:GSY).

For those that are unfamiliar, goeasy operates two distinct business segments. It operates easyfinancal, which provides high-interest loans to subprime borrowers. Its second business segment is easyhome, which sells furniture and other home goods on a rent-to-own basis. Because of the nature of its business, goeasy saw massive success through the pandemic. Its dividend has grown from $0.085 per share in 2014 to $0.66 in 2021. That represents a CAGR of 34%, greatly outpacing the rate of inflation.

Choose a stock from this reliable industry

Finally, dividend investors should pick stocks from reliable industries. For example, the Canadian banking industry is seen as one of the most reliable industries around. This is due to its highly regulated nature, which prevents smaller competitors from displacing the industry leaders. As a result, the Big Five banks have managed to develop massive moats. One benefit from having such a secure spot in the industry is that those companies are able to offer attractive dividends to their shareholders.

Of that group, I find **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) to be the most appealing. My reasoning for this is more related to its growth potential. However, Bank of Nova Scotia does offer an impressive dividend. The company is listed as a Canadian Dividend Aristocrat, having increased its distribution for more than a decade. Currently, it offers investors a very attractive forward dividend yield of 4.64%. When in doubt, I would go with one of the big Canadian banks in your dividend portfolio.

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3. TSX:BNS (Bank Of Nova Scotia)
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Date
2025/07/29
Date Created
2021/12/13
Author
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