Passive Income: 3 Cheap Dividend Stocks I'd Buy Now

Description

If you're looking for passive income, Canadian dividend stocks are some of the best plays out there. Between banks, energy stocks and REITs, the Canadian markets are home to many cheap, high-yield dividend plays. Canadian stocks have much higher yields on average than their American counterparts. Partially, that's because U.S. stocks have risen more than Canadian stocks. But, it's also partially due to the strong dividend growth observed in Canadian equities over the last 10 years. With that in mind, here are three cheap Canadian dividend stocks I'd buy now.

Suncor Energy

Suncor Energy Inc (TSX:SU)(NYSE:SU) is a TSX energy stock with a 5.3% dividend yield. The current yield is much higher than it was for most of 2020 and 2021. That's because the COVID-19 crisis forced SU's management to cut the payout in half last year. WTI oil futures prices went negative and the price of gasoline at the pumps went very low. As a result, Suncor's earnings turned negative, and cash flow decreased significantly. In order to cope with all of these headwinds, SU slashed its dividend. It was a tough time to be holding SU stock. Later, though, the price of oil started rising, and SU reinstated its previous dividend level. With SU stock down, the end result of that decision was an ultra-high yield from a stock that was previously only yielding 2.7%.

Northwest Healthcare

Northwest Healthcare Properties REIT (TSX:NWH.UN) is a Canadian healthcare REIT that has an even higher yield than Suncor does. At today's prices, this REIT yields 5.86%, which is much higher than the yield you'll get on most stocks. Such yields are common with REITs, which have a mandate to pay a high percentage of their earnings out to shareholders as dividends. Certainly, NWH is not the only 6% yield in the real estate industry. With that said, it has some characteristics that make it desirable for this specific period in history. As a healthcare REIT, NWH.UN enjoys a stable tenant base whose bills are ultimately paid by the government. This makes NWH's revenue very stable and not vulnerable to COVID shutdowns, as is the case with retail REITs.

Royal Bank of Canada

The **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is a Canadian bank stock that yields 3.58%. That's not the highest yield on this list, but it has the potential to grow. Over the last five years, RY's dividend has grown by about 6% annualized. That's in contrast to NWH's dividend, which has largely remained the same. If a stock grows its dividend over time, then its yield on cost (for an investor who bought in the past) goes higher as well. RY's dividend growth streak could indeed continue. In 2022, we're looking at the continuing economic recovery from COVID-19, interest rate hikes, and other positive catalysts for banks. All this bodes well for RY's ability to grow its earnings and eventually its dividend.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:RY (Royal Bank of Canada)
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Date
2025/08/22
Date Created
2021/12/28
Author
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