



## Passive Income: 2 Cheap Stocks to Buy and Never Sell

### Description

Passive-income stocks are no longer cheap like they were in 2020 and 2021. Persistently low interest rates have forced both institutional and retail investors to leave bonds and find income alternatives. Likewise, strong earnings across many Canadian sectors have helped drive [dividend stocks](#) higher. As a result, dividend yields have compressed.

### High-quality stocks can provide reliable passive income

Yet, in the larger context, passive-income stocks remain a good place to invest. Given elevated market valuations and various economic challenges (inflation, supply chain challenges, Omicron, etc.), Canadian stocks will likely see increased volatility in 2022.

Stocks that pay consistent quarterly or monthly dividends provide a great moat against volatility. Regardless of the stock market, a high-quality dividend stock is likely to keep paying its dividend. I like to particularly focus on passive-income stocks with strong balance sheets, stable cash flows, and inflation-beating growth.

The key is to not trade in and out of these high-quality stocks. Over time, they can provide reliable income stream and decent capital upside as well. Two [attractive dividend stocks](#) to buy and hold for the long term are **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)).

### A top infrastructure stock

For a higher-yielding passive-income stock, it is hard to find one better than Enbridge. Today, it pays a \$0.86 quarterly dividend per share. At \$49.50 per share, that is a nearly 7% dividend yield. The market has discounted this stock for some time because of negative political, regulatory, and environmental sentiment.

However, Enbridge operates a crucial energy infrastructure network that the North American economy relies on. Overall, the company captures fairly predictable streams of income that support its elevated

dividend. What the market doesn't recognize is that Enbridge is becoming an energy-transition infrastructure play.

The company is investing the majority of its capital into natural gas pipelines, renewable power projects, and infrastructure for alternative fuels. These investments should help propel mid-single-digit cash flow and dividend growth for several years to come. Enbridge is adapting to a greener future, and I think that makes it a stock you can hold for many years ahead.

## A top utility for passive income

**Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) is down about 15% from highs set last year. At \$18.22 per share, this stock presents attractive value today. With a quarterly dividend of US\$0.1706, this passive-income stock yields 4.8%. That is above its five-year dividend yield average of 4.3%.

Algonquin is a unique passive-income stock. It has a diversified operational platform. 70% of its operations come from regulated utilities across North America. The remaining business is focused on operating and developing renewable power projects. This mix provides the stability of a diversified regulated utility and upside potential from long-term green power trends.

Algonquin recently completed the [acquisition](#) of New York American Water Company. It is also in the process of buying a large, regulated utility in Kentucky. Algonquin has grown its dividend by about 10% a year for the past five years. That dividend-growth rate will likely slow to the 7-9% range going forward. However, for inflation-beating income streams and some modest upside, this is a cheap passive-income stock to buy and hold.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ENB (Enbridge Inc.)

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1. kduncombe
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robbybrown

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