Top Canadian Stocks to Buy for a Stable Passive Income

Description

You don’t have to take a high risk to generate a stable passive income. In fact, many TSX stocks that pay stable dividends are relatively less volatile and, thus, are less risky. Here are three top Canadian dividend stocks for a stable passive income.

Fast increasing inflation and soon-to-come higher interest rates will likely weigh on growth stocks in the short term. Thus, markets could continue to trade haywire. So, it is prudent to switch to defensives if you are not okay with the increased broad market uncertainty.

Tourmaline Oil

Passive-income investors focus on high dividend yields. So, **Tourmaline Oil** (TSX:TOU) might not interest those at first with its relatively lower yield. However, Canada’s leading natural gas producer has been stuffing its excess cash to shareholders since last year.

Tourmaline recently increased its quarterly dividend to $0.20 per share from $0.18 a share previously. Apart from this regular, it will pay a special dividend of $1.25 per share on February 1.

So, overall, Tourmaline will pay a total dividend of $2.05 per share in 2022, implying an annualized forward yield of 4.4%.

A $16 billion Tourmaline saw superior free cash flow growth after sustained strength in natural gas prices. Since January 2021, the company has increased the regular dividend on three occasions and has issued special dividends twice. Importantly, if gas prices continue to remain strong, investors could see another special dividend in 2022.

Energy markets look well placed for this year, even after their steep rally in 2021. Higher oil and gas prices will likely accelerate their earnings growth and could unlock substantial value for shareholders.

Power Corporation of Canada

One of the most stable stocks on the TSX is **Power Corporation of Canada** (TSX:POW). It has been a classic safe-haven stock driven by its consistent profitability and stable dividends.

A $25 billion asset management and insurance company has seen a significant business expansion in North America, Europe and Asia. It has increased shareholder payouts by 8% CAGR since 2016.

The stock has returned 35% in the last 12 months, outperforming the **TSX Composite Index**. It also offers a juicy dividend yield of 4.6%, higher than average. So, Power Corporation's slow-moving stock offers safety while dividends and stable earnings growth offer a decent total return potential.

BCE

Canada's telecom giant **BCE** (TSX:BCE) is my third pick for passive-income investors. It has a long dividend payment history, backed by a juicy yield of 5.3%. Telecom companies like BCE generate stable earnings, which facilitate stable dividends.

Importantly, the 5G revolution will start a new growth chapter for telecom companies. BCE has been investing aggressively in its network and 5G infrastructure since last year. That might bear fruit in the next few years with a larger subscriber base and superior earnings growth.

BCE stock has returned 25% in the last 12 months and 165% in the last decade. BCE makes an attractive investment proposition for passive-income investors with decent dividends and less-volatile stock.

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