



## Passive Income: Earn Up to 7.15% on Less Than \$3.25 Seed Money

### Description

Inflation is the major concern of Canadian families and households in 2022. The 4.8% inflation reading in December 2021 was the highest in three decades according to Statistics Canada. Costs of food and home and mortgage insurance have risen significantly since year-end 2020.

Prices of other durable goods like household appliances are likewise higher due to supply chain disruptions. The situation is worrisome because rising inflation reduces purchasing power. Fortunately, a recent survey by the **Royal Bank of Canada** reveals that Canadians have been investing more during the global pandemic.

If finances allow, you can counter or [minimize the impact of inflation](#) through dividend investing. Income streams from dividend-paying stocks can serve as [financial cushion](#) during an extended inflationary period. Don't worry if you have little money to spare.

**Diversified Royalty Corp.** ([TSX:DIV](#)) and **Canacol Energy Ltd.** ([TSX:CNE](#)) are price-friendly dividend stocks. The share prices are absurdly cheap (less than \$3.25 per share), but the average dividend yield is fantastic (7.15%). Your \$6,000 Tax-Free Savings Account (TFSA) limit (\$3,000 in each) can generate \$429 in [passive income](#).

### On the road to recovery

Diversified Royalty owns the trademarks to AIR MILES, Mr. Lube, Mr. Mikes, Sutton, Nurse Next Door, and Oxford Learnings Centres. The \$341 million multi-royalty corporation collect top-line royalties from the six royalty partners, all established franchisors in North America.

The companies in the royalty pool experienced business reversals during the health crisis, but are slowly recovering from the fallout. In the nine months ended September 30, 2021, revenue and distributable cash increased 23.5% and 19.9% compared to the same period in 2020.

During the same stretch, the royalty company's net income reached \$15.3 million versus the \$9.7 million net loss in the prior-year period. Sean Morrison, President and CEO of Diversified Royalty said,

"We remain focused on the long-term success of our royalty partners." Because of the strong performances after three quarters, management increased dividends twice in 2021.

At only \$2.79 per share (-0.44% year-to-date), DIV is approaching its 52-week high of \$2.99. The trailing one-year price return is 24.45%, while the current dividend yield is an eye-popping 7.88%.

## Independent natural gas producer

Canacol Energy, a \$570.78 million company, is the largest independent natural gas producer in Colombia. Management's near-term objective is to become the largest supplier for the country's gas needs. Canacol will fund its \$172 million to \$209 million capital budget for 2022 from existing cash and cash flows in 2022.

The record capital spending should help the company achieve its goal. Its President and CEO, Charle Gamba, also said the company will continue to optimize and enhance the efficiency of its gas processing facilities to reduce operating expenses (OPEX). In 2022, Canacol will also acquire and install eight gas compression units in gas fields to increase recovery factor by 8% to 10%.

Would-be investors get value-for-money, given the \$3.24 share price (+0.93% year-to-date) and lucrative 6.42% dividend yield. Market analysts see a price appreciation of 26.23% to 45.37% in 12 months.

## Generous income providers

Purchasing dividend stocks to create passive income is the perfect hedge against inflation. Diversified Royalty and Canacol Energy is a pair of cheap but generous income providers for cost-conscious and frugal investors.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CNE (Canacol Energy Ltd)
2. TSX:DIV (Diversified Royalty Corp.)

### PARTNER-FEEDS

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2. Koyfin
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