2 Sources of Non-Stop Cash Flows Without Active Participation

Description

Life might have returned to relative normalcy by now if not for Omicron. The federal government had to reimpose containment measures to prevent the spread of the new COVID variant. As of the writing, the pandemic isn't over but since the start of 2022, the focus of Canadians has shifted to inflation.

The inflation reading in December 2021 rose to 4.8%, the highest in 30 years. Economists anticipate prices of goods and services to remain high for at least two years. Meanwhile, families and households are starting to feel the pinch of a higher Consumer Price Index (CPI).

Among the options to beat inflation is to rethink investments. Instead of spending, it would be best to create passive income. If you have free money that you won't need anytime soon, consider dividend investing. You earn non-stop cash flows without active participation.

BCE (TSX:BCE)(NYSE:BCE) and **Canadian Utilities** (TSX:CU) are buy-and-hold assets. But companies have outstanding dividend track records and dividend growth streaks. Once you own the stocks, you can hold them forever to receive recurring passive income for years.

Fully recovered from the pandemic

Canada's most dominant telco had a successful 2021, financially and operationally. The consolidated revenue and adjusted EBITDA for the year is almost 99% of the 2019 results, indicating recovery from the pandemic. According to BCE and Bell Canada CEO Glen LeBlanc, the wireless service revenue in Q4 2021 versus Q4 2020 was the best in four years.

For the full year, operating revenues increased 2.5%, while net earnings rose 7.2% versus 2020. Moreover, cash flow from operating activities climbed to $8 billion, or a 3.3% year-over-year growth. The good news to investors was the 5.1% dividend hike.

The top 5G stock is up by only 1.29% year-to-date but its total return in the last 46.14 years is 77,021.77% (15.5% CAGR). If you invest today, the share price is $66.66 and the dividend yield is 5.52%. Assuming you invest $50,000, the investment income is $2,760, which translates to $230 in passive income every month.

Cream of the crop

Canadian Utilities earned dividend king status this year after raising its dividends for 50 consecutive years. TSX’s first-ever dividend king is a diversified global energy infrastructure with a market cap of $9.56 billion. Three core business segments (utilities, energy infrastructure, and retail energy) deliver sustainable dividend growth to shareholders.

According to management, innovation, growth, and financial strength form CU’s foundation for long-term success. The company boasts comprehensive and integrated solutions to meet the demands of two million customers. It also provides the opportunity to expand into new markets.

Because of its low-risk utility assets, CU generates stable, robust cash flows regardless of the economic environment. The $3.2 billion capital plan from 2021 to 2023 can potentially increase the rate base to around $14.8 billion (2% CAGR). Don’t expect much in terms of capital gain, although the growing dividends are safe. At $35.24 per share, you can partake of the 5.04% dividend.

No erosion in purchasing power

Douglas Porter, managing director and chief economist with **BMO** Financial Group, thinks inflation will remain high until Q2 2022 before it trends lower. However, the reading should remain above pre-pandemic level in the back half of the year. Thus, holding off on big purchases and earning passive income can prevent the erosion of purchasing power.

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