Here's How to Earn $290/Month in Passive Income

Description

Irrespective of economic cycles and volatility in the market, investors can generate a steady passive income through high-quality dividend-paying companies. So if you plan to start earning a passive income, consider adding **Enbridge** (TSX:ENB)(NYSE:ENB), **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), and **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) to your portfolio.

The payouts of these companies are well-protected. Further, they offer a high dividend yield at current price levels. Let's dig deeper.

Enbridge

Enbridge is among those top Canadian companies that have been paying and consistently growing dividends for more than 25 years. To be precise, this energy infrastructure company has been increasing its dividends since 1995. Furthermore, Enbridge's dividends have a CAGR of 13% since 2008, making it an attractive long-term investment for passive income investors.

Looking ahead, Enbridge's diverse cash flow streams, revenue escalators, multi-billion-dollar secured capital program, and strategic acquisitions will likely drive its financials. Moreover, productivity enhancements will likely drive its cash flow growth and, in turn, its dividends.

Enbridge projects an 8% increase in its distributable cash flows (DCF)/share in 2022. Moreover, it projects 5%-7% growth in DCF/share in the medium term, which augurs well for future dividend payments.

Overall, Enbridge's diversified secured projects, accelerated renewables growth, high asset utilization rate, productivity enhancements, and strong DCF growth outlook support my optimism. Furthermore, Enbridge offers a solid dividend yield of 6.5%, while its target payout ratio of 60%-70% of DCF is well-protected and sustainable in the long term.

Pembina Pipeline

Thanks to its diverse and highly-contracted assets, Pembina Pipeline is one of those leading companies that has consistently enhanced its shareholders' value through dividend payments. It started paying dividends in 1997 and has returned nearly $10.5 billion in dividends since then.

Its high-quality asset base, contractual arrangements, improving demand, new growth projects, and backlogs will drive its fee-based cash flows and, in turn, its dividend payouts.

Furthermore, Pembina stock is trading cheaper than its peers, while its EV-to-EBITDA multiple of 10.8 is lower than its historical average and well within investors' reach. Overall, Pembina's high-quality assets, improving prospects, low valuation, and a high dividend yield of 6.0% make it an attractive income stock.

Algonquin Power & Utilities

Algonquin Power & Utilities could be another solid bet for investors seeking a steady passive income stream. This utility company has been growing its earnings at a decent pace, which supports its dividend payments. It's worth noting that Algonquin Power & Utilities' dividends have increased by 10% per annum over the past 11 years. Meanwhile, its dividend yield stands at 4.8%.

Its conservative business, expanding renewables capacity, and rate base growth bode well for future growth and will drive its high-quality earnings base.

AQN expects its rate base to increase by a CAGR of about 15% in the coming years. Meanwhile, its earnings are expected to grow at a CAGR of 7%-9% through 2026, which will drive its dividends.

Bottom line

On average, these three dividend-paying companies offer a yield of 5.8%, implying $20,000 investment in each could fetch an annual passive income of $3,480 or $290/month.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:PPL (Pembina Pipeline Corporation)

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