Passive Income: Here’s When I’d Buy These Popular Dividend Stocks

Description

Passive income is a dream come true for anyone, really. It’s not easy to come by, but you can grow your (mostly) passive income with dividend stocks with a little work. Dividend investors will tell you that you only need to simply buy shares of common stocks of quality dividend stocks that pay nice yields to begin receiving a decent stream of passive income.

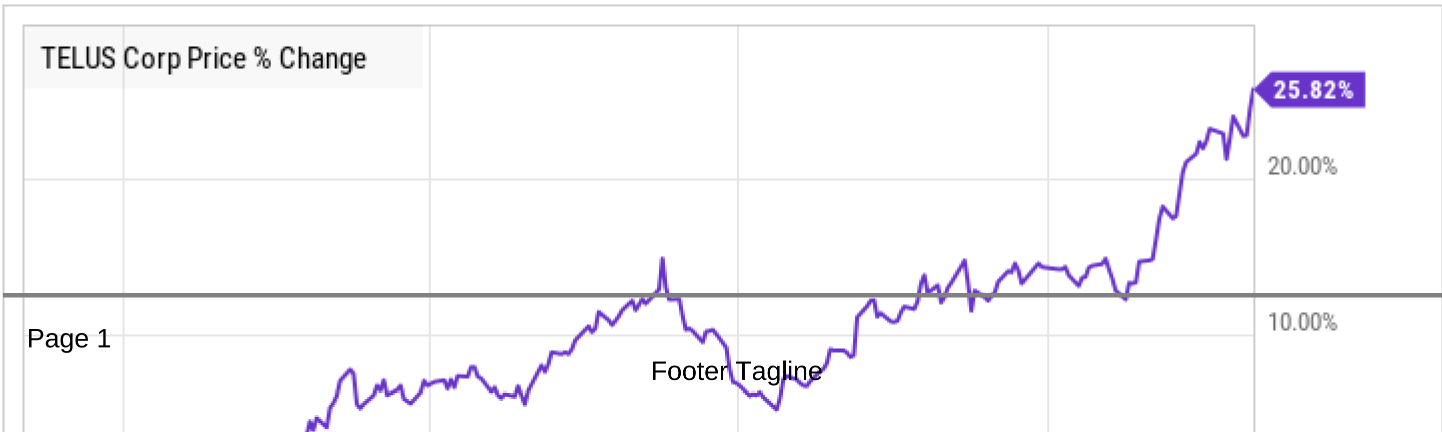
However, it’s not as simple as that. You should also care about the price you’re paying — that is, you don’t want to overpay for the passive income. Otherwise, you could be sitting on stocks whose prices won’t increase for several years. In fact, you could come face to face with the horror of quality dividend stocks in the red in your stock portfolio.

Here are some popular dividend stocks that you should at least have on your watchlist. Indeed, I didn’t say to buy them now, even though they are quality [dividend stocks](), because they aren’t cheap now. Below, I’ll provide guidance on exactly what price it would be good to consider buying these dividend stocks.

TELUS stock

TELUS (TSX:T)(NYSE:TU) is one of the Big Three Canadian telecom stocks with a respectable track record of increasing its dividend over 18 consecutive years. Its 10-year dividend-growth rate is 8.7%.

The dividend stock has climbed substantially by more than 25% in the last 12 months. It now trades at about 26.2 times this year’s estimated earnings. Analysts also think it’s fully valued. Their average 12-month price target on TELUS stock represents only 2.4% near-term upside potential. Currently, the stock yields 4%.



T data by YCharts

Because the stock has run up and appears to be fully valued, it would be much safer for investors to buy on dips. Based on its current annualized payout, investors can consider buying when the dividend stock dips to a 4.5% yield (or at a stock price of about $29).

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock is one of the best sleep-well-at-night stocks to own as an anchor for one's stock portfolio. The regulated utility has an admirable track record of increasing its dividend for 48 consecutive years. Its 10-year dividend-growth rate is 5.9%.

FTS data by YCharts

Over the last 12 months, the dividend stock has appreciated meaningfully by more than 18%. It now trades at about 20.8 times this year's estimated earnings. Analysts also think it's fully valued. Their average 12-month price target on Fortis stock implies only 0.1% near-term upside potential. Currently, the stock yields 3.6%.

Based on its current annualized payout, investors can consider buying when it dips to a 4% yield (or at about $53.50 per share).

The Foolish investor takeaway

TELUS and Fortis are excellent passive-income stocks. However, to protect your capital, increase your income generation, and improve your total return potential, you should aim to buy dividend stocks when they're cheap. If you really must buy a dividend stock for passive income now, **National Bank of Canada** is a tad cheaper with analysts expecting upside of more than 10% over the next 12 months. The solid bank stock currently yields almost 3.5%. That said, none of these stocks are trading at bargains right now.

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