



2 Cheap Stocks to Buy Now for Reliable Passive Income

Description

Income investors are searching for top TSX stocks that trade at reasonable prices and pay growing dividends with attractive yields.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) trades near \$89.50 per share at the time of writing compared to \$94.50 earlier this year. The dip in the stock price gives investors a chance to buy one of Canada's top banks on a nice pullback.

Bank of Nova Scotia's international business took a hit during the worst of the pandemic, but the group is performing better, and the outlook over the long term is positive for the division. Bank of Nova Scotia has operations in the Pacific Alliance countries of Peru, Colombia, Chile, and Mexico. The four countries are home to more than 230 million people with banking penetration at roughly 50% of the population. This gives Bank of Nova Scotia strong growth opportunities, as middle-class wealth expands.

The board raised the dividend by 11% late last year. Another generous hike is likely on the way in 2022. Bank of Nova Scotia also recently increased the size of its buyback program to 36 million shares. That represents about 3% of the outstanding common stock.

The bank is very profitable and now trades at a reasonable 11 times trailing 12-month earnings. Investors who buy the stock today can pick up a solid 4.5% dividend yield.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) has an attractive mix of regulated utility assets and renewable power facilities.

The stock dropped last year, as investors dumped players in the renewable energy [sector](#) after a

strong rally through the end of 2020. Algonquin Power also came under added pressure when it announced plans to buy Kentucky Power for US\$2.85 billion.

The Kentucky Power deal will shift Algonquin Power's revenue stream even more to regulated assets. This should make cash flow more predictable and reliable, which is important for income investors. The company's US\$12.4 billion capital program is 70% weighted to investments in the rate-regulated utility businesses and will help drive steady EBITDA growth in the coming years. Adjusted net earnings per share are expected to increase by 7-9% per year through 2026.

Algonquin Power raised the dividend by 10% per year over the past decade. Investors should see steady payout hikes continue. At the time of writing, the stock trades for less than \$19.50 per share. That's up from below \$17.50 in January but still well off the \$22.50 it fetched in early 2021.

Investors who buy now can pick up a 4.4% dividend yield and wait for the next payout increase that should come in the coming months.

The bottom line on cheap dividend stocks for passive income

Bank of Nova Scotia and Algonquin Power are top Canadian dividend stocks that offer attractive yields and growing payouts. The shares appear [undervalued](#) right now and should deliver solid total returns for investors in the coming years. If you have some cash to put to work in a self-directed income portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Investing

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2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BNS (Bank Of Nova Scotia)

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