



3 Top Dividend Stocks for Passive Income in 2022

Description

Are you looking for great dividend stocks that pay you passive income?

If so, I have some good news and some bad news.

The bad news is that the number of dividend stocks that have high yields is rapidly dwindling. Value stocks — including many dividend stocks — have rallied in 2022, which has sent yields lower. At the start of the year, the TSX Composite Index had a 2.5% yield. Today, it is only 2.48%. That might not sound like that big of a decline, but remember that not all stocks pay dividends. This year's collapse in tech stocks has given dividend stocks heavier index weighting, which has supported the index yield, even with individual yields falling.

Still, the TSX is a relatively fertile soil for finding dividend stocks in. The average yield on Canadian stocks is much higher than that of U.S. stocks, and some TSX stocks still have genuinely solid payouts. In this article, I will explore three Canadian dividend stocks that can still produce ample passive income in 2022.

TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a Canadian bank stock that yields 3.55%. It has a long track record of dividend increases and a relatively low (44%) payout ratio.

TD had a pretty solid showing in its most recent quarter. In it, the bank delivered \$3.7 billion in earnings, up 14% from the prior year. Canadian retail revenue grew 6%, while U.S revenue increased 4%.

Also in the fourth quarter, TD announced that it was buying out **First Horizon**, a bank chain in the southeastern United States. The acquisition will make TD the sixth-biggest retail bank in the U.S. and give it a portfolio of U.S. commercial loans — something it had been lacking before. In its press release announcing the acquisition, TD said that FHN would be “immediately accretive,” producing an earnings increase after the deal closes. If TD's management is right, then its investors could have more dividend

hikes coming in the future.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a [Canadian energy company](#) that sells crude oil and gasoline. It is perhaps best known for Petro-Canada, a chain of gas stations it owns.

Suncor Energy recently doubled its dividend. The dividend increase only took it back to the 2019 level, as the dividend was slashed in half in 2020. However, there is considerable potential for more dividend hikes going forward. Suncor Energy already pulled off a massive quarter in Q4, with \$3.14 billion in adjusted funds from operations (AFFO) and \$1.55 billion in net income. The AFFO was up 157% year over year, and the \$1.55 billion in net income was up from a substantial net loss the year before. SU also achieved \$3.7 billion in net debt reduction in the fourth quarter.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a Canadian utility stock that yields 3.38%. It has raised [its dividend every single year](#) for the last 47 years. The secret to that long track record of dividend increases is revenue stability.

As a utility, Fortis provides an essential service. People can't easily "cancel" the utilities to their home, and they would not voluntarily cut them out. In recessions, they may use less heat and light than normal, but they wouldn't stop using them entirely. As a result, Fortis's revenue tends to be very stable over time. Most utilities enjoy this advantage. But Fortis is a more ambitious utility than most, having acquired a vast collection of subsidiaries across Canada, the U.S., and the Caribbean. Should its growth continue, it will be able to keep hiking its dividend for the foreseeable future.

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Date

2025/08/26

Date Created

2022/04/07

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andrewbutton

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