Passive-Income Seekers: Buy These 3 Dividend Stocks

Description

For many Canadians, building a source of passive income is a major financial goal. By doing so, investors are able to live comfortable lives during retirement. Investors that can get started on this goal earlier may even be able to retire early. With that in mind, one way that investors can build a source of passive income is by investing in dividend stocks.

In this article, I'll discuss three **TSX** dividend stocks you should hold in your portfolio if you're interested in building a source of passive income.

Start with one of the best dividend stocks in Canada

Fortis (TSX:FTS)(NYSE:FTS) is the first dividend stock that investors should consider adding to their portfolios. This company provides regulated gas and electric utilities to 3.4 million customers across Canada, the United States, and the Caribbean. Because of the nature of its business, Fortis tends to see a predictable and reliable source of income regardless of what the economic situation may be. The ability to operate without being affected by the economic cycles allows investors to refer to Fortis as a "recession-proof" company.

Fortis holds the second-longest active dividend-growth streak in Canada. It has managed to increase its dividend in each of the past 47 years. Fortis currently offers investors a forward dividend yield of 3.36%. You may notice that the company maintains a rather high payout ratio (78.5%). In other cases, I would tell investors to look for a company with a lower payout ratio, since those dividends should be more secure. However, Fortis has shown for a long time that it can allocate capital intelligently.

Another company known for its dividend

Passive income investors should also consider buying shares of **Canadian National Railway** (TSX:CNR)(NYSE:CNI). Established in 1919, it is the most dominant railway company in Canada and a component of the **S&P/TSX 60**. Canadian National also operates the largest rail network in Canada. Currently, its network spans nearly 33,000 km and stretches from British Columbia to Nova Scotia.

Canadian National's dividend-growth streak stands at 25 years. This has earned it the distinction of being referred to as a bona fide Dividend Aristocrat. In Canada, the minimum requirement to be a Dividend Aristocrat is five consecutive years of dividend raises. In the United States, companies need to raise dividends for 25 straight years in order to earn that title. Canadian National's dividend-payout ratio is low (35.7%). This suggests that the company has sufficient room to continue increasing its distribution in the future.

This stock has grown its dividend at a fast rate

Finally, passive-income investors should consider **goeasy** (TSX:GSY) for their portfolios. This company operates two distinct business segments. Its first segment, easyfinancial, provides high-interest loans to subprime borrowers. The second, easyhome, sells furniture and other home goods on a rent-to-own basis. Because of the nature of its business, goeasy saw its revenue and stock price skyrocket over the course of the pandemic.

What really stands out, to me, about this company is how fast its dividend is growing. In 2014, goeasy offered a quarterly dividend of $0.085 per share. Today, its quarterly dividend is $0.91 per share. That represents a CAGR of 34.5% over that period! By finding stocks that are able to increase distributions at a fast rate, you give your passive-income stream a good chance to beat inflation each year.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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3. TSX:CNR (Canadian National Railway Company)
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5. TSX:GSY (goeasy Ltd.)

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