3 TSX Dividend Stocks to Hold for Passive Income

Description

Many Canadians aim to use their investment portfolios as a way to generate passive income. In order to do this, they'll need to buy many shares of excellent dividend stocks. However, deciding which stocks to hold in a portfolio isn't an easy task. There are many variables that investors should consider when assessing whether a stock is suitable for their portfolio. In this article, I'll discuss three **TSX** dividend stocks that could be excellent sources of passive income over the long term.

Look for stocks in reliable industries

When considering different dividend stocks for your portfolio, investors should start by looking at companies that operate in reliable industries. By this, I mean industries that don't tend to see business slowdowns during recessions. By identifying companies that maintain strong businesses regardless of the economic cycle, investors could continue to see dividends consistently flow into their accounts over the years.

With that in mind, **Fortis** (TSX:FTS)(NYSE:FTS) is an excellent dividend company for your portfolio. It provides regulated gas and electric utilities to more than 3.4 million customers across Canada, the United States, and the Caribbean. As of this writing, Fortis has managed to increase its dividend distribution in each of the past 47 years. That gives it the second-longest active dividend-growth streak in Canada.

The Canadian banking industry is very popular

Many Canadians decide to buy shares of the Canadian banks. This is an excellent idea, as Canada's banking industry is heavily dominated by a small group of companies. The Big Five, as they are known, have managed to establish very formidable moats over the past two centuries. Of that group, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is my top pick.

This company has managed to pay shareholders a dividend in each of the past 189 years.
In addition, Bank of Nova Scotia has increased its dividend in each of the past 10 years. Currently, the

company pays a $1 dividend per share. That represents an 11% increase over last year's quarterly dividend. Despite that strong year-over-year increase in its dividend, Bank of Nova Scotia's payout ratio is still under 47%. That suggests that the company could continue to comfortably increase its distribution over the coming years.

Another financial company for your consideration

Although the Big Five banks should be your first stop when it comes to dividends, that doesn't mean there aren't other financial companies worth considering. **goeasy** (TSX:GSY) is another Canadian financial stock that would be excellent to hold in a dividend portfolio. This company operates two distinct business lines. easyfinancial provides high-interest loans to subprime borrowers, and easyhome sells furniture and other home goods on a rent-to-own basis.

goeasy is a notable dividend stock because of its impressive growth rate. In 2014, goeasy's quarterly dividend was only $0.085 per share. Today, the company offers a quarterly dividend of $0.91 per share. That indicates that its dividend has grown at a CAGR of 34.5% over that period. In other words, if your dividend portfolio were to heavily rely on goeasy's dividend, your source of passive income would have beaten the inflation rate by a wide margin over the past eight years.

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