Canadian Stocks to Buy: 2 of the Safest Passive Income Generators

Description

Many investors look for the best stocks to buy for the capital gains potential. However, there are plenty of high-quality Canadian dividend stocks to buy for the passive income that they generate.

As long as you find businesses that have operations that are reliable, and financials that are in a strong position, these can be some of the best investments you add to your portfolio.

So if you're looking to buy high-quality Canadian dividend stocks, here are two of the best and safest companies on the market today.

One of the best Canadian large-cap stocks to buy for passive income

Large established companies will often be some of the best Canadian dividend stocks to buy for passive income. That's why one of my top recommendations for investors is **Enbridge** (TSX:ENB)(NYSE:ENB), the massive energy giant.

Enbridge is an ideal investment for several reasons. First, its operations are well-diversified, complement each other, and are crucial to the North American economy, making Enbridge a defensive investment.

In addition, because many of the company's assets can operate for years and need little maintenance, the company is a cash cow, constantly bringing in tonnes of capital. So you know Enbridge is a reliable company capable of generating cash every quarter.

Perhaps what's most attractive about Enbridge's business is its dividend policy. The company only aims to pay out roughly 60% to 70% of its distributable cash flow. This way, it ensures it's paying an adequate and attractive dividend back to investors, but it also retains cash to invest in future growth.

So with Enbridge stock offering a dividend yield of roughly 5.9% today, and considering that it's increased that dividend for 27 consecutive years now, it’s unquestionably one of the best Canadian stocks to buy for passive income.

A top restaurant royalty stock

If you’re looking to earn passive income from Canadian stocks, one of the best to buy now has to be **Pizza Pizza Royalty** (TSX:PZA).

Pizza Pizza is a company that was made for dividend investors. The corporation receives royalty payments from all the sales that each of its locations does. It then pays the few administration fees of the corporation, pays its taxes, and all the rest of the cash is left over to pay back to investors.

So for years, even though Pizza Pizza had a payout ratio of close to 100%, because its cash flow was so predictable, it was one of the safest and best Canadian dividend stocks to buy.

When the pandemic hit, that all changed, and Pizza Pizza had to temporarily trim its dividend, albeit much less than any of its peers.

So today, with the industry as well as the economy recovering from the pandemic, Pizza Pizza once again offers potential. Right now, the stock offers a dividend yield of just under 5.6%. More importantly, though, Pizza Pizza’s payout ratio is now back right around 100%.

And while the stock is still earning slightly less than it was prior to the pandemic, if that were to recover back to pre-pandemic levels, the payout ratio would be closer to 92%.

Therefore, if you’re looking to buy Canadian dividend stocks that can return you attractive passive income, Pizza Pizza is one you’ll want to consider.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ENB (Enbridge Inc.)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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danieldacosta