Passive Income: 3 Dividend Stocks to Own

Description

The current macro and geopolitical environment and high volatility have made investing in equities tough. Meanwhile, high inflation, supply shortages, and rising interest rates indicate that the ongoing challenges will likely persist in the coming quarters.

However, passive-income investors shouldn't worry much, as some Canadian companies generate resilient cash flows and bolster their shareholders' value through increased dividend payments.

Against the challenging operating environment, here are my three top dividend stocks for investors seeking reliable passive income.

Fortis

Utility giant **Fortis** (TSX:FTS)(NYSE:FTS) is a solid stock for investors to generate worry-free passive income amid all market conditions. My bullish outlook on Fortis is supported by its rate-regulated utility assets that generate predictable cash flows. Further, Fortis is known to boost its shareholders' returns through increased dividend payments. For context, this utility company raised its dividend for 48 years and is poised to hike it further.

Its low-risk assets, high-quality earnings base, and solid track record of dividend growth make it the perfect investment for passive-income investors.

Fortis projects its rate base to grow at a CAGR of 6% in the medium term, which will expand its high-quality earnings base and drive higher dividend payments. Further, its growing renewables capacity, investments in growth, and strategic acquisitions could support its growth. It sees 6% annual growth in its dividend through 2025 and offers a reliable yield of 3.4%.

Enbridge

Like Fortis, **Enbridge** (TSX:ENB)(NYSE:ENB) is a dependable stock for income investors amid all market conditions. Its stellar dividend payment history (67 years) and ability to increase it regularly (raised dividend at a CAGR of 10% since 1995) support my bullish view.

Enbridge's multiple cash flow streams, contracted assets, inflation-protected revenues, and strength in the core business drive its distributable cash flow per share (DCF/shares) and regular dividend payments. Furthermore, increased economic activity, recovery in its mainline volumes, multi-billion-dollar secured capital program, and opportunistic acquisitions indicate that Enbridge is well positioned to deliver robust DCF/share and enhance its shareholders' value.

Enbridge expects its DCF/share to grow by 8% this year. Meanwhile, it expects 5-7% annual growth in its DCF/share through 2024. Enbridge's target payout ratio of 60-70% of the DCF is sustainable. Meanwhile, its stellar yield of 6.1% is well protected.

Bank of Montreal

I have included the shares of **Bank of Montreal** (TSX:BMO)(NYSE:BMO) in this list due to its record dividend payment history. It's worth noting that this financial services giant has been paying a dividend for 193 years, which is the longest among all Canadian corporations. Furthermore, BMO has raised its dividend at a CAGR of about 4% over the past one-and-a-half decades.

I expect Bank of Montreal to benefit from the recovery in the economy. Further, its revenue and earnings would gain from the uptick in loans and deposits, solid credit quality, and focus on operating leverage.

Overall, Bank of Montreal's diversified revenue base, ability to drive volumes, focus on enhancing the digital experience, acquisition of Bank of West, and strong balance sheet augur well for future growth and are expected to support its payouts. It yields 3.8% at current levels.

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