3 Stocks to Hold for a Reliable Source of Passive Income

Description

A goal of many investors is to create a source of passive income. Doing so will allow them to supplement, or even replace, the income they receive from their jobs. Over the long run, that can have a tremendous impact on your finances. It could help you reach financial independence, allowing you to spend more time on things that are more important to you. One way to build that source of passive income is by investing in dividend stocks.

Here are three stocks you should hold in your portfolio.

Start with this elite company

When it comes to investing in dividend stocks, the first company that comes my mind is **Fortis** (TSX:FTS)(NYSE:FTS). The reason this company stands out for me is its long history of increasing its dividend. In fact, Fortis hold the second-longest active dividend-growth streak in Canada (47 years). To put that into perspective, Fortis has managed to increase its dividend through many significant events. This includes the Great Recession and the COVID-19 pandemic — both of which caused many dividend stocks to halt increases or suspend dividends altogether.

Fortis may be a strong dividend company due to the nature of its business. A provider of regulated gas and electric utilities, Fortis receives a steady source of revenue from its customers each month. If you're searching for only one dividend company to add to your portfolio, Fortis would be my top recommendation.

Nearly two decades of dividend distributions

If Fortis doesn't interest you, or is already in your portfolio, then consider buying one of the Big Five Canadian banks. In my opinion, all five of those companies would be solid positions for your portfolio. Investors may be fine to pick the company they bank with, as these stocks tend to move similarly over time. Of course, I do have a preference in that group. Of the Big Five, my top pick would be **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

This company has managed to pay shareholders a dividend in each of the past 189 years. Bank of Nova Scotia is also great at increasing its dividend at an attractive rate. In Q1 2022, the company raised its dividend to $1 per share. That represents an 11% increase over last year's dividend.

A reliable stock to hold

Finally, investors should consider buying shares of **Canadian National Railway** (TSX:CNR)(NYSE:CNI). What's interesting about this company is its importance within Canada's economy. Currently, there's no viable way of transporting large amounts of goods over long distances if not via rail. Therefore, Canadian National should continue to see a lot of demand over the coming years.

A Canadian Dividend Aristocrat, Canadian National has managed to increase its dividend in each of the past 25 years. That makes it one of 11 **TSX**-listed companies to reach that milestone. Although it has increased its dividend over so many years, the company still maintains a relatively low dividend-payout ratio (37.7%). That suggests that Canadian National could continue to comfortably increase its dividend over the coming years.

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2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:FTS (Fortis Inc.)
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