Passive Income: 3 Cheap Stocks With Dividend Yields Over 5%

Description

High inflation, rising interest rates, and an expected economic slowdown have made stocks risky and unattractive.

However, investors can still earn consistent passive income through relatively safe stocks with a well-protected yield. It's worth mentioning that several Canadian companies offer reliable dividend yields. What's more? These solid dividend stocks are trading cheap. Against this backdrop, let's look at three cheap stocks offering a dividend yield of at least 5%.

Algonquin Power & Utilities

Speaking of safe stocks to buy for steady dividend income, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) emerges as a solid investment. It operates a low-risk business underpinned by rate-regulated assets and long-term contracts. These high-quality assets generate predictable cash flows, allowing it to consistently enhance its shareholders' returns.

Notably, Algonquin Power has recently announced a 6% hike in its annual dividend. Including the recent hike, it has now raised its dividend for 12 years in a row. Furthermore, Algonquin Power offers an attractive dividend yield of 5.6%, which is well protected.

Its US$8.8 billion capital investment plan in regulated assets through 2026 will expand its high-quality earnings base, which would drive future dividend payments. Furthermore, the US$3.6 billion capital investment plan in the renewable energy group augurs well for future growth.

The resiliency of Algonquin Power's business, predictable cash flows, growing earnings base, and attractive yield are why investors should bank on this stock to generate consistent passive income.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has paid and raised its dividend, even amid a weak economic environment and tough sector-wide challenges. This reflects the resiliency of Enbridge's cash flows and dividend payouts. It has raised dividend since 1995. Moreover, its dividend-growth rate has remained higher than its peers, making it a solid investment for passive-income investors.

The steady energy demand, higher commodity prices, and Enbridge's multi-billion secured capital program will likely drive Enbridge's distributable cash flows and dividend payments. Furthermore, its diversified assets, contractual arrangements, recovery in its mainline volumes, inflation-protected EBITDA, and high asset utilization rate suggest that its payouts are sustainable and dependable.

Enbridge projects 5-7% growth in its DCF/share over the next three years, which is positive. Moreover, investors can earn a solid yield of 6.5% by investing in Enbridge.

TC Energy

With a dividend-growth history of about 22 years and 95% of its EBITDA coming from regulated or contracted assets, **TC Energy** (TSX:TRP)(NYSE:TRP) is another top company to rely on for passive income.

Its regulated and contracted assets, high asset utilization rate, benefits from assets placed into service, and solid secured capital projects will likely drive its earnings and cash flows and, in turn, its future dividend payments. Moreover, benefits from energy transition opportunities and cost-saving measures will cushion its bottom line.

TC Energy has grown its dividend at a CAGR of 7% since 2000. Moreover, it expects to increase its future dividend by 3-5% annually. Its payouts are safe, while it offers a solid yield of 5.4%.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TRP (Tc Energy)
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