Earn Passive Income With These 3 Stocks

Description

For many investors, the ultimate goal when it comes to stocks is to be able to build a reliable source of passive income. By doing so, they are able to supplement, or perhaps even replace, their primary income. That allows them to spend more time doing things that they're passionate about. In order to do that, investors will need to build a large dividend portfolio. In this article, I'll discuss three stocks that could help you get started.

One of the best dividend stocks around

When it comes to Canadian dividend stocks, **Fortis** (TSX:FTS)(NYSE:FTS) should always be one of the first stocks that comes to mind. This company provides regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean. Because utility companies tend to receive recurring revenue monthly, Fortis can take advantage of a steady and predictable business. For example, knowing how much revenue will come in next month will allow the company to better prepare for dividend raises.

Speaking of which, Fortis is listed as a Canadian Dividend Aristocrat. That means it has managed to increase its dividend distribution in at least five consecutive years. However, more impressively, this company comes in with the second-longest active dividend-growth streak in Canada (47 years). That means that Fortis has been able to withstand many periods of economic uncertainty and continue to reward shareholders.

Another solid dividend company for your portfolio

If you already have Fortis stock in your portfolio, or decide it isn't for you, then consider buying shares of **Canadian National Railway** (TSX:CNR)(NYSE:CNI). This company may be one of the most recognizable names in Canada. It operates nearly 33,000 km of track spanning from British Columbia to Nova Scotia. Canadian National also operates in the United States, with track going as far south as Louisiana.

Another Canadian Dividend Aristocrat, Canadian National holds a dividend-growth streak of 25 years. That makes it only one of 11 **TSX**-listed companies to achieve that milestone. Despite all those years of continued dividend raises, Canadian National's payout ratio remains relatively low (37.7%). That suggests that the company could continue to comfortably raise its dividend in the coming years.

This stock's dividend-growth rate is incredible

Although it's important to choose companies that are able to increase dividends over time, investors should also consider how fast a dividend is growing. A failure to maintain a growth rate greater than the inflation rate will result in a loss of buying power over time. That's why I believe passive-income investors should consider buying shares of **goeasy** (TSX:GSY).

If you're unfamiliar with the company, it operates two business lines. The first is easyfinancial, which provides loans to subprime borrowers. Second is easyhome, which sells furniture and other home goods on a rent-to-own basis.

Since 2014, goeasy's dividend has grown at a CAGR of 34.5%. That greatly outpaces the inflation rate. If we use a conservatively estimate that the company can maintain a CAGR of 25% over the next five years, investors could be looking at a quarterly dividend of $4 per share. Although it's tough to assume a company can keep growing at that pace, goeasy's payout ratio of 32% puts it in a good position.

CATEGORY

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3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)
5. TSX:GSY (goeasy Ltd.)

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