3 Dividend Stocks Beginners Should Buy for Reliable Passive Income

Description

If you are a new investor, investing in dividend stocks is a great place to start. For some reason, receiving regular, tangible cash returns is both satisfying and comforting. The stock market has been incredibly volatile over the past nine months. Almost every asset class has pulled back.

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Earning dividends is satisfying in a bear market

Investors who hold quality dividend stocks keep collecting quarterly or monthly passive income. At the very least, you are earning a baseline return on your capital during the year.

The great news is that valuations have declined, and dividend yields have risen. That means if you buy today, you can earn a higher dividend return on your cost basis than you could even just a few months ago. If you are looking for solid quality dividend stocks that pay reliable passive income, here are three I would consider this July.

An energy stock with history of dividend growth

While oil stocks are in decline as of late, I believe the negative momentum could create some opportunities. Despite recession concerns, there is still a severe energy shortage across the globe. This makes for a great chance to add a high-quality energy stock like **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ).

It can efficiently produce oil and natural gas at a very low cost. It can maintain its operations and its dividend payment, even if oil prices go below US$40 per barrel (which, is fairly unlikely). Even when oil temporarily hit a negative price in the March 2020 crash, it still paid out its dividend.

In fact, this stock has grown its dividend by a 20% compounded annual growth rate for 15 years! At $63, it yields a very nice 4.5% dividend. Given the amount of cash it produces today, chances are very likely that its dividend rate will increase again soon.

A cheap real estate stock with a big yield

If you don't like oil stocks, you may want to consider real estate stocks. One dividend stock that looks very interesting today is **Dream Industrial Real Estate Investment Trust** (TSX:DIR.UN). After a 30% stock decline this year, it is trading with an elevated 5.8% dividend yield right now.

Dream Industrial is one of the cheapest industrial real estate stocks you can find — unjustifiably so. The company has a great low-debt balance sheet. Its debt is locked in for more than three years at near sub-1% interest rates. At the same time, it is benefiting from double-digit rental rate growth. Likewise, it is projecting about 10% cash flow-per-unit growth.

For a stock with decent growth, a cheap valuation, attractive assets, and a great monthly distribution, Dream Industrial has it all.

A Canadian stalwart stock with a reliable dividend

I would not call Canada's banking sector an exciting market segment. However, if you like dividends and dividend growth, it certainly delivers that. If you have a long investment horizon, you can't go too wrong with **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

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It has one of the best long-term total return profiles in the banking industry. For being one of Canada's largest banks and companies, it has delivered a 13% annual average total return over the past decade.

Likewise, it has delivered 7% compounded annual dividend growth for the past 15 years. This dividend stock has fallen 10% in the past six months. Today, it trades with a 4% dividend yield. Royal Bank has a strong, diversified business that has fared through many economic downturns. For a Canadian dividend investor, this is a reliable stock to hold.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:DIR.UN (Dream Industrial REIT)
5. TSX:RY (Royal Bank of Canada)

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