Want Passive Income? These TSX Dividend Stocks Are for You

Description

Generating a source of passive income is a goal of many investors. Fortunately, that's doable by building a strong dividend portfolio. Once that portfolio is large enough, your dividends could reliably supplement or even replace the income you get from your job. With that said, what characteristics should investors be looking for in the dividend stocks they hold in their portfolio? In this article, I discuss three **TSX** dividend stocks that may interest passive income investors.

Look for a long history of paying dividends

The first thing that investors should look for when choosing dividend stocks is how consistent a stock has been able to pay its shareholders. This is important because some stocks don't pay dividends every year. Instead, they simply distribute dividends when there's a surplus in cash. This isn't the type of stock that you should be holding if you're interested in generating passive income.

Instead, investors should look at a company like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). One of the largest companies in Canada, Bank of Nova Scotia has a storied history when it comes to its dividend. It first paid shareholders a portion of its earnings in 1833. Since then, it has never missed a dividend payment. That represents 189 consecutive years of dividend distributions. If you're looking for a dividend stock to add to your portfolio, then consider a company like Bank of Nova Scotia.

Is the dividend growing?

Next, investors should consider whether a stock's dividend has grown over the years. This is important to consider because investors could lose buying power over time if a dividend's value remains stagnant. One way to find out which stocks have grown dividends over time is by consulting the list of Canadian Dividend Aristocrats. This is a list of all **TSX**-listed stocks that have grown dividends for at least five consecutive years.

Near the top of that list, you'll find **Fortis** (TSX:FTS)(NYSE:FTS). For those that are unfamiliar, this company provides regulated gas and electric utility services to more than 3 million customers in

Canada, the United States, and the Caribbean. Fortis has managed to increase its dividend in each of the past 47 years. That gives it the second longest active dividend growth streak in Canada.

How fast can it grow?

Finally, investors should consider how fast a stock can grow its dividend. Although a long history of dividend growth is admirable, good dividend stocks should be able to grow their dividends faster than the inflation rate. During years like this one, it may be difficult for every dividend stock to do that. However, certain companies may be able to pull it off.

Consider **goeasy** (TSX:GSY). Although it doesn’t have a very long history of increasing its dividend, goeasy’s dividend growth over the past five years is something to take note of. Over that period, goeasy’s dividend has grown at a CAGR of about 34%. That has resulted in a quarterly dividend of $0.91 per share today. If goeasy can continue its strong growth, then investors could be looking at a very attractive dividend in a few years’ time.

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