



## Earn 7.9% Passive Income With These Dividend Stocks

### Description

What can you do when your primary income is not enough? Earning passive income is the most straightforward answer, but how? You can take on another job, start a side business, or start freelancing. But all of these are *active* methods of making a passive income.

If you want to make extra money without doing extra work, you must invest (or win a lottery). But even when you are putting your money to work, you have to choose between [active vs. passive investing](#).

You can leverage the services of active portfolio managers and professional investors to invest your money *for* you, but that comes with a high investment cost. Or you can buy and hold income-producing assets like dividend stocks to start a passive-income stream you can rely on.

### A royalties company

**Freehold Royalties** ([TSX:FRU](#)) has a portfolio of oil and gas properties, mainly in Canada and the United States. It recently entered a definitive agreement to buy two assets in Texas for about \$155 million. The royalties-based business model offers investors a more “secure” exposure to the underlying assets than the companies directly engaged in developing these assets.

This security comes from only having a financial stake in the operations. So, even if there are any incidents and price fluctuations, if they don't reflect in the quarterly earnings report, the royalty company doesn't experience their burnt.

The stock comes with a healthy dividend yield of 7.22% and a payout ratio of 83%. It's essential to remember that the company is prone to slashing its payouts whenever the energy sector takes a sharp dive.

### An equity partnership company

Businesses going through financial trouble often bring in outside investors to meet their financial

challenges but, in return, have to share control. Companies like **Alaris Equity Partners** ([TSX:AD.UN](#)) offer a healthier alternative, making them a coveted ally for such businesses, especially in troubled markets. The company takes equity in a business but leaves operational control to the existing management.

Since they only take a financial stake in a business and have no say in how it's run, they must be careful when selecting the companies they partner with. Currently, the company has a partnership stake in 18 businesses and about 85% of its capital is invested in U.S. businesses. The stock is undervalued and discounted, contributing to its high 7.9% yield.

## A building materials company

**Doman Building Materials Group** ([TSX:DBM](#)) is one of North America's premier pressure-treated lumber products companies. It has 32 operating plants in the U.S. and Canada and seven brands under the Doman banner. One of the company's strengths is its extensive range of products, which might allow it to appeal to a significantly large market.

The stock rose rapidly in the post-pandemic market, gaining over 230% in less than a year. It has fallen quite a bit from its 2021 peak, contributing to an already juicy yield. The company is offering dividends at an 8.5% yield right now. And the payout ratio is relatively safe at 39.7%. With a price-to-earnings of 4.8, it's also a smart buy from a valuation perspective.

## Foolish takeaway

If you invest the same amount in all three dividend stocks, the overall yield will average out to about 7.9%, which is quite decent from a passive-income perspective. Two out of three stocks offer reasonable dividend sustainability potential. And even though Freehold Royalties *has* slashed its payouts in the past, it also raises them at a decent enough pace in a healthy market.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:DBM (Doman Building Materials Group Ltd.)
3. TSX:FRU (Freehold Royalties Ltd.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
8. Yahoo CA

#### **PP NOTIFY USER**

1. adamothonman
2. kduncombe

#### **Category**

1. Dividend Stocks
2. Investing

#### **Date**

2025/07/21

#### **Date Created**

2022/07/31

#### **Author**

adamothonman

default watermark

default watermark