



Passive Income: 2 Dividend Stocks to Buy Ahead of a Potential Recession

Description

If we're not already in a recession, there's a very real chance that it will soon be confirmed that we are indeed in one.

The U.S. reported last week that the American economy contracted for the second consecutive quarter. The news confirmed what many investors were already thinking, which partially explains why there wasn't a steep selloff in both the Canadian and U.S. stock markets.

The **S&P/TSX Composite Index** managed to gain just over 3.5% last week, and the **S&P 500** was up over 4%. I'll admit it was a somewhat surprising performance after the U.S. all but confirmed that the economy was in a recession.

Many major Canadian and American companies have also reported quarterly earnings over the past several weeks. After watching how investors have received the quarterly earnings reports, there seems to be much more positivity in the market than in the quarter prior.

Continuing to invest amid recession fears

A recession may not be confirmed for the Canadian economy just yet. However, I wouldn't expect [volatility](#) in the stock market to slow down anytime soon. Sky-high inflation and rising interest rates are two major catalysts that I'm betting will lead to continued uncertainty in the market.

Now, just because the market is volatile doesn't mean I'm not investing today. In fact, I've been increasing my bi-weekly contributions to my stock portfolio in recent months. I will add, though, that I don't plan on selling any positions I have in individual stocks for decades to come.

I'm currently in the process of looking to "recession proof" my portfolio. I wouldn't consider any individual stock recession proof, but I believe there's a way to mitigate risk in a portfolio. And as someone who's typically gravitated toward growth stocks, my portfolio could stand to benefit from shedding some risk.

A top priority for me today is to create a stream of passive income in my portfolio through dividend investing. The income generated from dividend-paying companies can help offset some of the short-term pain from my growth holdings.

In addition to passive income, I'm in search of dividend stocks that can also provide my portfolio with dependability. Both dividend-paying companies on my watch list are market leaders in their respective slow-growing, but dependable industries.

Dividend stock #1: Fortis

At a market cap nearing \$30 billion, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a Canadian utility leader. The company also boasts a growing presence in the U.S.

Utility companies certainly aren't exciting stocks to own — I won't argue that. They are, however, among the most dependable you'll find on the TSX. And once you factor in Fortis's 3.5% dividend yield, this is the exact type of company that you'll want to own during a recession.

Dividend stock #2: Toronto-Dominion Bank

If passive income is what you're after, you can't go wrong with owning any of the major [Canadian banks](#). The Big Five own some of the longest dividend payout streaks on the TSX. On top of that, each of the five major bank's dividends currently yield upwards of 4%.

The reason why **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stands out for me among the Big Five is for its long-term growth potential. Its 4.3% dividend yield is certainly a major selling point, but it trails behind two other banks that are currently yielding above 5%.

I'm an investor with a long-term investing time horizon. I still plan on holding the companies I'm investing in today, even if it is primarily for passive income, for decades to come.

In addition to a top yield, TD Bank has what I'd argue is the best chance among the Big Five to be a market-beating stock over the next couple of decades.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
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4. TSX:TD (The Toronto-Dominion Bank)

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