



Want Passive Income? These 3 TSX Dividend Stocks Are for You

Description

For many investors, building a source of passive income is their primary goal. There are many ways that investors can build that source of passive income (e.g., real estate, stocks). However, in my opinion, this is most easily achieved by [investing in dividend stocks](#). When choosing dividend stocks to hold in a portfolio, there are certain characteristics that investors should consider. In this article, I'll discuss three **TSX** dividends that investors should buy if they want to build a source of passive income.

Start with this top stock

The first characteristic that investors should look for in a dividend stock is whether it's been able to raise its distribution over the years. This is important because investors will lose buying power over time if a dividend stock's distribution is stagnant. This is what makes **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) an excellent company to consider for a dividend portfolio. It 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.

Fortis may be able to do this because of the nature of its business. As a utility company, it tends to receive income on a recurring basis. This provides the company with a very predictable and stable source of revenue, allowing it to plan accordingly for any dividend raises. In addition to its solid history of dividend growth, Fortis offers investors with an attractive forward dividend yield of 3.58%.

Another stock with an outstanding dividend

In addition to ensuring a company can raise its dividend, investors should consider how fast a dividend is growing. This is important, because if a stock's dividend fails to beat the inflation rate over the long run, then investors could end up losing buying power anyway. That's why investors should consider buying shares of **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)).

This company has managed to increase its dividend in each of the past 25 years. That makes it one of only 11 TSX-listed stocks to currently surpass that mark. In addition to an impressive dividend-growth history, Canadian National's dividend has grown at a very impressive rate. Over the past five years, its

dividend has exhibited a compound annual growth rate of 12.2%. That greatly outpaces the long-term inflation rate.

This stock has been paying a dividend for nearly two centuries

Finally, investors should consider whether a company has an excellent history of paying any dividends at all. Most companies listed as Canadian Dividend Aristocrats don't have dividend-growth streaks of two decades or longer. That doesn't mean that they're terrible dividend stocks. Some of those companies have been paying shareholders dividends for much longer than you realize.

Take **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) for example. It has been [paying a dividend](#) since 1833. That means that this stock has been distributing a dividend for the past 189 years and 34 years prior to the Canadian confederation! Bank of Nova Scotia's forward dividend yield may be the most impressive of the stocks discussed here (5.32%). As a leader within the Canadian banking industry, investors should feel confident investing in this outstanding dividend stock.

CATEGORY

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2. NYSE:CNI (Canadian National Railway Company)
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