



2 Dividend Stocks That Are Passive-Income Warriors

Description

Stock market investing is exciting when the markets perform well and the economy is on a strong run. However, many investors go into it without considering the inherent risks involved with equity securities during harsh economic environments.

During market downturns, there is no such thing as “recession-proof” stocks. Even the largest and most reputedly stable blue-chip stocks are prone to adverse market conditions. If economic or industry-wide headwinds are strong enough, even the biggest giants can experience downturns.

Keeping that in mind, the **TSX** does boast stocks you can consider relatively safer than the rest of the market. These stocks have histories of reliably paying a portion of their profits to investors through shareholder dividends.

Reliable [dividend stocks](#) are income-generating assets you can bank on to provide you with shareholder dividends regardless of the economic environment due to fundamentally strong businesses supported by solid cash flows and liquidity.

Today, I will discuss two such dividend stocks you can consider adding to your self-directed portfolio for this purpose.

Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is a \$179.72 billion market capitalization Canadian financial institution. The multinational financial services company is the largest among its peers in the Big Six Canadian banks. It is also the largest publicly traded company on the TSX by market capitalization.

Serving over 17 million clients across several markets, the well-capitalized Canadian bank has a stellar track record for paying its investors their shareholder dividends.

Royal Bank of Canada raised its dividend payouts by 11% late last year, introducing another dividend

hike of 7% after releasing its second-quarter results for fiscal 2022. As of this writing, Royal Bank of Canada stock trades for \$126.44 per share and boasts a juicy 4.05% dividend yield. Down by 15.48% from its 52-week high, it is also attractively priced at current levels.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a \$28.84 billion market capitalization utility holdings company. The Canadian company owns and operates several electricity and natural gas utility businesses across Canada, the U.S., the Caribbean, and Central America. Serving around 3.4 million customers, Fortis offers an essential service that allows it to earn revenue regardless of broader economic factors.

The company generates most of its revenue through regulated and long-term contracted assets. It means that the company's cash flows are predictable and relatively stable. The company's management can use its consistent cash flows to fund capital programs and grow shareholder dividends comfortably.

Fortis is also a Canadian Dividend Aristocrat with a 48-year dividend-growth streak that evidences its reliability for dividend income portfolios.

As of this writing, Fortis stock trades for \$60.09 per share and boasts a juicy 3.56% dividend yield. It could be an attractive addition to your self-directed portfolio.

Foolish takeaway

Even when share prices are falling, publicly traded companies with strong operations and stable cash flows can continue distributing shareholder returns to investors who remain invested.

You can keep getting returns on your investments through regular payouts. Investing in a large enough portfolio of dividend stocks can help you create a passive-income stream that generates significant returns. You can use the dividend payouts to supplement your active income and get help with your monthly expenses.

If you do not need the additional income, you can reinvest the shareholder dividends to add more shares to your portfolio through a dividend-reinvestment program. Using the dividends you earn to purchase more shares can help you unlock the power of compounding to accelerate your wealth growth.

Fortis stock and Royal Bank of Canada stock are leaders in their respective industries with resilient operations. Investing in these two stocks could be an excellent way to begin building a dividend income portfolio.

CATEGORY

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2. NYSE:RY (Royal Bank of Canada)
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