



Need a 2nd Income? 3 Stocks (With Monthly Dividends) to Buy and Hold

Description

Having a second income stream provides financial stability. Besides boosting monthly earnings, a second income stream helps achieve financial targets fast, lowers the chances of acquiring debt, and acts as a cushion amid turbulent times. While there are multiple ways to start a second income stream, I'll focus on generating passive income through investment in monthly-paying dividend stocks.

Several Canadian corporations pay reliable dividends. Among them, a few offer monthly payouts. An investment in these stocks could bring in cash every month. So, if you plan to start a second income stream, here are my top three picks.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a leading energy infrastructure company. Thanks to its highly contracted business, Pembina Pipeline generates robust fee-based cash flows that comfortably cover its monthly dividend payouts and support growth initiatives.

It's worth mentioning that Pembina has maintained and grown its dividend since 1998. Moreover, despite the significant disruptions from the COVID-19, Pembina Pipeline consistently paid monthly dividend throughout the pandemic. This reflects the strength of its business model.

Its diversified business, contracted assets, reliable counterparties, and benefits from new assets placed into service position Pembina well to deliver strong cash flows to support dividend payouts. Moreover, an increase in commodity prices and higher volumes will support its growth.

Pembina Pipeline's dividend has increased at a CAGR (compound annual growth rate) of 5% in the past decade. Besides its strong dividend payment and growth history, Pembina's sustainable payout ratio (75% of the fee-based distributable cash flows) and high yield of 5.4% make it attractive.

NorthWest Healthcare Properties REIT

Thanks to their large and reliable dividend payouts, [REITs](#) (real estate investment trusts) are an attractive investment to generate passive income. Among the top REITs, investors could consider investing in **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)) for its defensive portfolio of healthcare-focused real estate assets.

NorthWest's tenants are backed by government support. Meanwhile, it benefits from a long lease expiry term (about 14.6 years) and a high occupancy rate (about 97%). Also, NorthWest's majority of rents have inflation protection and have an annual contractual rent growth arrangement.

Its geographically diversified portfolio, expansion in growth markets, long-term indexed leases, accretive acquisitions, high payout ratio (about 95%), and an attractive yield of 6.1% make NorthWest Healthcare a solid investment to generate regular income.

Keyera

Keyera ([TSX:KEY](#)) operates an energy infrastructure business. Its fee-for-service energy infrastructure business provides a solid foundation to generate stable and contracted cash flows that support dividend payment and growth. Meanwhile, its marketing segment enables it to fund infrastructure growth projects.

Its solid business model and strong balance sheet supported by low leverage (net debt/adjusted earnings before interest, taxes, depreciation, and amortization, EBITDA, ratio of 2.3) drive its DCF (distributable cash flow) per share. Keyera's DCF/share has grown at a CAGR of 8% since 2008. Meanwhile, its dividend grew at a CAGR of 7% during the same period.

Keyera's management remains confident in increasing its DCF/share at a healthy pace, driven by a 6-7% annual increase in adjusted EBITDA. Further, management plans to grow its dividend in line with DCF/share growth.

Keyera's target payout range of 50-70% of DCF is sustainable in the long term. Further, its high dividend yield of 6.1% makes it attractive to generate a reliable passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:KEY (Keyera Corp.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:PPL (Pembina Pipeline Corporation)

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Author

snahata

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