Want Easy Passive Income? These 3 Canadian Dividend Aristocrats Deliver

Description

The market pullback is giving dividend investors a chance to buy top Canadian stocks at undervalued prices for portfolios focused on generating reliable passive income.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications business with a current market capitalization near $58 billion. Retirees and other dividend investors seeking high-yield passive income have owned the stock for decades.

BCE has the financial clout to make the investments needed to keep its wireline and wireless networks up to date. The company is spending $5 billion in 2022 on the expansion of the 5G network and the continued rollout of the fibre-to-the-premises program that will connect fibre optic lines directly to the buildings of 900,000 customers this year.

BCE is targeting free cash flow growth of 2-10% for 2022. This should support another dividend increase of about 5% for 2023. The board raised the payout by at least this much in each of the past 14 years. BCE stock looks cheap right now below $64 and offers a solid 5.75% dividend yield.

Power Corp

Power Corp (TSX:POW) is a Canadian holding company with insurance, wealth management, and asset management businesses located in Canada, Europe, and Asia. The subsidiaries include **Great-West Lifeco** and **IGM Financial**. These companies are home to Canada Life, Empower, Putnam Investments, Irish Life, IG Wealth Management, Mackenzie Investments, and Investment Planning Counsel. Power Corp also has venture capital operations that hold positions in disruptive segments such as fintech and electric vehicles.

The insurance, wealth management, and asset management businesses generate steady fee revenue to support the dividend. Power Corp stock is down from $44.50 earlier this year to $33.50 at the time of writing. The dip is due to the broader pullback in the financial sector in recent months and now appears overdone.

Investors who buy POW stock at the current price can pick up a 5.9% dividend yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns and operates $60 billion in utility assets located across Canada, the United States, and the Caribbean. Nearly all of the revenue comes from regulated businesses. This is important for dividend investors who rely on steady and growing passive income from their holdings.

Fortis grows through acquisitions and internal developments. The current $20 billion capital program is expected to increase the rate base by roughly a third to more than $40 billion by the end of 2026. As a result, management sees revenue and cash flow expanding enough to support average annual dividend increases of 6% through at least 2025. That’s great guidance in the current uncertain economic conditions.

Fortis increased the dividend in each of the past 48 years. The current distribution provides a 3.5% dividend yield. Investors might think the yield is a bit low, but the dividend growth quickly makes up the difference, and the stock price tends to drift steadily higher over the long haul.

The bottom line on top stocks to buy for passive income

BCE, Power Corp, and Fortis all pay attractive dividends that should continue to grow in the coming years. If you have some cash to put to work in a portfolio focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
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3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:POW (Power Corporation of Canada)

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