



Passive Income: 3 Top Canadian Stocks to Buy for Monthly Dividends

Description

If you are looking to create passive income, it makes sense to invest in dividend-paying stocks. Dividend stocks provide investors an opportunity to benefit from a steady stream of recurring payouts as well as long-term capital gains.

Further, companies that pay dividends generally derive profits across business cycles providing a semblance of certainty during tumultuous periods. Historically, [dividend stocks](#) have outpaced the broader markets by a wide margin.

So, let's look at three Canadian stocks that pay investors monthly dividends.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a leading North American energy infrastructure company with an integrated base of assets. It has a track record of profitable growth and a proven business strategy built on Pembina's low- to moderate-risk operating principles. Equipped with a strong balance sheet and investment-grade credit rating, Pembina Pipeline has paid \$11.6 billion to investors via dividends since 1997.

Due to rising oil prices, Pembina is forecast to increase earnings by over 40% to \$2.88 per share. It pays investors annual dividends of \$2.52 per share annually, indicating a monthly payout of \$0.21 per share and a yield of 5.4%.

Pembina is one of the largest players in Canada's energy sector and generates a majority of sales from long-term contracts. So, the company is somewhat immune to fluctuations in commodity prices, allowing it to maintain dividends, even when during the bear market of 2020.

Killam Apartment REIT

One of the largest real estate investment trusts (REITs) in Canada, **Killam Apartment** ([TSX:KMP.UN](#))

pays investors \$0.70 per share in annual dividends. With a payout ratio of less than 30%, its dividends are sustainable, despite offering a tasty yield of 4%.

It's a growth-oriented REIT that owns, operates, and develops manufactured home communities (MHCs) and apartments. Killam currently owns \$4.7 billion worth of real estate portfolio across Atlantic Canada, Alberta, Ontario, and British Columbia.

Killam aims to increase its funds from operations consistently and create long-term value for shareholders by expanding earnings from its existing portfolio and widening its portfolio through acquisitions.

Since the start of 2016, shares of Killam Apartment have surged by almost 130% after adjusting for dividends.

First National Financial

The final stock on my list that pays a monthly dividend is **First National Financial** ([TSX:FN](#)). The company originates, underwrites, and services commercial and residential mortgages in Canada. First National currently offers investors a forward yield of 6.1% and pays annual dividends of \$2.35 per share.

While single-family volumes rose fell 10% year over year, commercial volume surged 19% in the second quarter (Q2). After accounting for renewals, mortgage production in the June quarter stood at \$12.2 billion, which was 6% lower than the year-ago period.

Its mortgages under administration rose 5% to an all-time high of \$127.4 billion, allowing revenue to rise 14% to \$416.8 million. Comparatively, net income stood at \$61.3 million, or \$1.01 per share, up from a net income of \$52.4 million, or \$0.86 per share, in Q2 of 2021.

First National ended Q2 with a payout ratio of 58%, making it a top stock to buy for dividend investors.

Bottom line

Investing \$10,000 in each of these three TSX stocks can help investors generate around \$130 in dividend income each month.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:FN (First National Financial Corporation)
3. TSX:KMP.UN (Killam Apartment REIT)
4. TSX:PPL (Pembina Pipeline Corporation)

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