New Investors: The 2 Best Options to Earn Regular Passive Income

Description

Many investors, including me, dream of having their portfolios pay for their day-to-day expenses. Fortunately, with dividend stocks, that's possible. Dividend stocks are interesting because unlike other investments which provide passive income, the barrier to entry is very low. With small amounts of capital, investors can start building a passive-income portfolio today. In this article, I'll discuss the two best options for new investors to start earning a regular passive income today.

Buy one of the big Canadian banks

The Canadian banks are known for being strong dividend stocks. At the top of the industry, you'll find a group of banks known as the Big Five. These companies have been in operation for over a century. That long history has allowed them to establish very formidable moats. Given the highly regulated nature of the Canadian banking industry, it would be very difficult for smaller competitors to surpass this group to become the new industry leader. If I could only invest in one Canadian bank, it would be **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Bank of Nova Scotia first paid its shareholders a dividend on July 1, 1833. Since then, the company has never missed a dividend payment. That represents 189 years of continued dividend payments. In addition to a long history of reliably paying dividends, Bank of Nova Scotia offers a high dividend yield. With a forward dividend yield of 5.07%, Bank of Nova Scotia could give investors good value for their money.

Consider investing in utility companies

Investors should also consider buying shares in utility companies. This is because utility companies tend to receive income on a recurring basis. That provides utility companies with a very predictable and stable source of revenue. Because of this, dividends are easy to plan for. That's why many utility companies not only pay dividends reliably, but also increase their distribution on such a consistent basis. In fact, if you look at the list of Canadian Dividend Aristocrats, you'll see that the top two companies both operate in the utilities sector.

Of all the Canadian utility companies, my favourite stock is **Fortis** (TSX:FTS)(NYSE:FTS). This company provides regulated gas and electric utilities to more than 3.4 million customers across Canada, the United States, and the Caribbean. With $60 billion of assets under management, Fortis is a major player in the global utility sector.

Like Bank of Nova Scotia, Fortis is a tremendous dividend stock. It has managed to increase its dividend distribution in each of the past 48 years. That means that Fortis has been able to increase its dividend despite having to operate through the Great Recession and the COVID-19 pandemic. Both of those events were big reasons why many solid dividend stocks needed to halt dividend raises or suspend distributions altogether. With a forward dividend yield of 3.55%, Fortis should be a very attractive stock.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:FTS (Fortis Inc.)

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