TFSA Investors: These 3 Stocks Could Generate Excellent Passive Income

Description

Investing in dividend stocks could be an excellent way to generate passive income. By making use of a Tax-Free Savings Account (TFSA) to hold those stocks, investors could even avoid having to pay taxes on the dividends they receive. This could result in a very attractive source of additional income over the long run. With that said, many investors have a hard time deciding which dividend stocks to hold in their portfolio. In this article, I'll discuss three **TSX** stocks that could generate an excellent source of passive income.

Start with this underappreciated stock

Alimentation Couche-Tard (TSX:ATD) is the first stock that I would recommend for a dividend portfolio. This company operates more than 14,000 convenience stores across 24 countries and territories. It's estimated that Alimentation Couche-Tard serves more than nine million customers on a daily basis. In its latest earnings report, the company also reported that it sells about 35 million gallons of fuel per day. There's no denying that Alimentation Couche-Tard holds a formidable presence in its industry.

Despite its success, investors still seem to underappreciate this stock. From a dividend point of view, Alimentation Couche-Tard should be one of the first stocks that investors look at. It's managed to increase its dividend in each of the past 11 years. Over that period, Alimentation Couche-Tard's dividend has grown 10-fold, representing a compound annual growth rate (CAGR) of about 25%. Despite all those increases, its payout ratio is still less than 20%. That suggests that it could continue increasing its dividend over the coming years.

This company raises its dividend at a fast rate

If you're interested in another company that generates a fast-growing dividend, then consider **goeasy** (TSX:GSY). This company operates two distinct business segments. The first is easyfinancial, which provides high-interest loans to subprime borrowers. Its second business segment is easyhome, which sells furniture and other home goods on a rent-to-own basis. Due to the nature of its business, goeasy has experienced record sales over the past couple of years.

An excellent dividend stock, goeasy has managed to increase its distribution in each of the past eight years. Over that period, its dividend has grown at a CAGR of 34.5%. That greatly outpaces the inflation rate and could help investors maintain buying power over time. It should be noted that goeasy's payout ratio has climbed a notable amount in recent quarters. However, with a dividend-payout ratio of about 30%, this stock still has a lot of room to continue growing its dividend.

One of the best dividend stocks around

Finally, if you're looking for a stock that can deliver a reliable dividend each and every year, you should consider **Fortis** (TSX:FTS)(NYSE:FTS). This company provides regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean.

When it comes to raising its dividend, Fortis is among the best. It has managed to increase its dividend in each of the past 48 years. That gives Fortis the second-longest active dividend-growth streak in the country. The company is guiding for continued dividend raises through to 2025 at a CAGR of 6%.

CATEGORY

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1. NYSE:FTS (Fortis Inc.)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:FTS (Fortis Inc.)
4. TSX:GSY (goeasy Ltd.)

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