



3 Top TSX Stocks to Generate a Stable Passive Income

Description

Dividend stocks are a great investment for earning stable passive income. Often, people overlook them because of their volatility. However, volatility is inherent to stocks, and it can also be used as a boon. Plus, when you're investing for the long-term, the ups and downs caused by volatility typically have a much lesser impact over time. On that note, here are three low volatility dividend stocks that will help you generate a stable passive income.

Royal Bank of Canada

Shares of Canada's biggest bank, **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) have dropped notably this year, presenting an opportunity for long-term investors. It pays a stable dividend yield of 4%. That means if you invest \$1,000 in RY stock today, you will get \$40 in dividends annually.

As the bank grows its profits, the dividend will likely grow alongside it. Royal Bank's long dividend payout history (spanning 152 years) highlights stability and reliability. The bank froze its annual dividend rate at \$2 per share during the 2008 financial crisis, but it has increased the payment each year since then. It now pays out a decent 40%-50% of its earnings in the form of dividends.

Royal Bank has an unmatched scale that facilitates stable earnings growth. Its superior credit quality, with a common equity tier 1 (CET1) ratio of 13%, highlights its financial strength. The CET1 contrasts the bank's core equity capital with its risk-weighted assets.

RY stock has returned 12.7% CAGR in the last 10 years, including dividends. Given its [solid dividend profile](#) and stable earnings, the stock offers a decent total return potential for the long-term.

Fortis

As an economic downturn seems to be on the horizon, defensive stocks will be in focus. Leading Canadian utility **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a top-quality defensive stock. It currently yields 3.8%, marginally higher than broader markets.

FTS stock has been weak this year as interest rates and treasury yields have risen significantly. Utility stocks are considered bond proxies, so the weakness was evident. But if you're a long-term investor, the current downtrend could be an opportunity.

Fortis has increased its shareholder dividends for the last 48 consecutive years. It maintained its dividend growth irrespective of the state of the broader economy. This is because, regardless of the economic cycle, Fortis kept earning stable cash flows that enabled steady dividends.

FTS stock returned 9% CAGR in the last 10 years, including dividends. These returns fall way short when compared to some growth stocks. However, given its low-risk proposition, Fortis's dividends and stable returns make it [an attractive bet](#).

BCE

Top telecom stock **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is another stable contender for income-seeking investors. It currently yields a juicy 6%. So, if you invest \$1,000 in BCE stock, it will pay a dividend of \$60 in the subsequent year.

Among the three-player dominated telecom sector in Canada, BCE has the second-largest subscriber base. It has a relatively stronger balance sheet than its peers which will likely play a key role as corporate investments surge ahead of the 5G rollout.

In fact, BCE has been aggressively investing in its network infrastructure over the last few years. By the end of 2022, it expects to have spent around \$5 billion in the year to connect more Canadians. Accumulated CAPEX since 2020 would then reach \$14 billion, the highest ever spending by a big telco in a single year and over a three-year period. This will likely result in accelerated financial growth, enabling faster dividend growth for investors.

With 13 consecutive years of dividend increases behind it, BCE is a high-yield, blue-chip stock that pays an impressive 5.75% dividend.

BCE stock delivered total returns of 9.2% CAGR in the last decade, beating broader markets. Like Fortis, it offers a low-risk, moderate return proposition, which will likely create a decent reserve in the long-term.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)

2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)

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