3 Canadian Stocks to Buy for Passive Income Forever

Description

If you're looking for passive income, Canadian stocks are among the best assets in the world to own. Canadian stocks have some of the highest dividend yields among North American assets, and they're only going higher. Today, Canadian stocks already yield 3%. As prices go lower, the yields will go higher. There could be an opportunity to buy the TSX Composite Index at a 4% yield in a few months!

In this article, I will explore three Canadian stocks with high yields that could pay you passive income forever.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a well-known Canadian dividend stock with a 3.85% yield. If you invest $100,000 in Fortis as today's price, you get $3,850 back in dividends every year. And, if you hold for a long enough time, you may see your dividend payout increase. Fortis's management aims to increase the dividend by 6% per year over the next five years. Fortis has historically grown its earnings by low double digits each year, so these dividend hikes may be feasible.

Today, Fortis's payout ratio (dividends divided by earnings) is 79%. That's a little on the high side but not so high that it makes further dividend increases impossible.

Fortis stock is well known for having increased its dividend every single year for 48 years straight. The company skated through the COVID-19 pandemic with its earnings largely unchanged, it managed to deliver positive earnings growth during the 2008 financial crisis. Overall, this is a very stable, dependable company, whose shares could pay you passive income for life.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is another very stable and dependable dividend stock. Unlike Fortis, it hasn't actually raised its dividend every single year for its entire existence. Bank earnings tend to be more volatile than those of utilities, so dividend hikes aren't possible every single year. Additionally, Canadian banks were barred from increasing their dividends in 2020 due to the COVID-19 pandemic. However, they came back swinging with extra large dividend hikes in 2021. That year, TD Bank raised its dividend by 13% — a huge vote of confidence in the company's trajectory post-COVID.

This year, TD Bank has a lot of things going on. It's working on a $13.4 billion acquisition of **First Horizon National**, a medium-sized bank chain in the southeastern United States. The deal will add $89 billion in assets to TD's balance sheet and make TD the sixth-biggest bank in the United States. TD is also working on acquiring investment bank **Cowen** for about $1 billion. Together, these two deals will give TD increased earnings power — and potentially dividends — in the years ahead.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a Canadian asset management company whose stock has a 1.25% yield. That's not the highest yield, but BAM.A has very high historical dividend growth. Over the last 10 years, the company has raised its dividend payout by 11.5% per year. If you buy a stock and it raises its dividend by 11.5% per year for 10 years, the payout ends up nearly tripling.

There's no guarantee that BAM.A will keep up its historical growth in the future, but it manages assets in some very innovative sectors (e.g., renewables) and now is the biggest owner of legendary bond investor Howard Marks's fund. So, Brookfield has some very smart people on the team who could do big things.

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