



1 Leading Passive Income Stock I'm Buying Hand-Over-Fist Right Now

Description

Buying high-quality dividend growth stocks and building a passive income stream is one of the best ways to put your money to work. It can be especially powerful to buy and hold dividend growth stocks when you use a registered account like the [TFSA](#) and reinvest the cash that's consistently being returned to you.

Another reason high-quality dividend growth stocks are such an excellent investment is that they're often less [volatile](#) than the market and can therefore help to stabilize your portfolio. In addition, the dividend payments you receive help to offset any capital losses you may incur when markets are selling off, as they have been this year.

And the capital you receive in environments like the one we're in today is especially valuable since many top stocks are trading at appealing discounts.

That's just one of the reasons I've been buying and adding to my **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) position throughout the year.

In addition to the fact that it's an excellent passive income stock, Brookfield is an ideal stock for several reasons. It owns incredibly defensive assets yet operates as a long-term growth stock. Furthermore, it aims to increase its distribution by 5% to 9% each year which is why it's such an excellent investment to buy and hold for the long haul.

So, if you're looking to buy defensive stocks that offer great passive income, here's why Brookfield Infrastructure is a stock I'm buying hand-over-fist right now.

Brookfield's defensive assets make it an excellent passive income stock

Brookfield is an incredibly defensive business that has many of its assets indexed to inflation because it owns crucial infrastructure all over the world. These assets are split into four different segments.

Its utility segment owns assets such as gas pipelines and electricity transmission lines. In total, it has over seven million gas and electricity connections. Its midstream segment consists of natural gas storage, processing facilities, and transmission pipelines. Brookfield also has a transport segment which includes toll roads, railroad operations, as well as ports and other export terminals. And lastly, its data segment owns assets such as telecom towers, cable networks, and data centres.

Each segment owns assets all over the world, which helps reduce risk for Brookfield and adds to the reasons why it's a leading passive income stock to buy. Plus, in addition to owning businesses that will be minimally impacted by a recession, Brookfield is also extremely well managed and is run like a [growth stock](#).

Brookfield's growth strategy makes it an excellent long-term investment

One of Brookfield's main strategies, besides buying highly reliable infrastructure assets for its portfolio, is to consistently recycle capital. That means the company spins off assets that it believes it can fetch an attractive price for and uses the proceeds to invest in new undervalued businesses or turnaround projects.

So far this year, Brookfield has secured four asset sales for \$2.4 billion and made five new investments totaling \$2.8 billion.

Furthermore, another reason why Brookfield is such an excellent passive income stock and a reliable business to buy for the long haul is that it's consistently maintaining a strong financial position. Management always wants liquidity to take advantage of any deals that come up. It also wants to keep the dividend safe and the payout ratio below 70% of [funds from operations](#) (FFO).

Therefore, because its business is always financially stable, Brookfield can execute its growth strategy and consistently deploy more capital, which has led to a compound annual growth rate (CAGR) in its FFO of 11% over the last decade. That's impressive for such a safe and reliable business.

Another strategic financial principle for Brookfield is keeping 90% of its long-term debt at fixed rates. This is especially important in today's environment, particularly when you consider that 85% of its revenue either benefits or is protected from inflation.

Because Brookfield is such a high-quality stock and a perfect investment for passive income, it doesn't offer nearly as much of a discount as many other stocks on the market. However, while it's 20% off its high and offering a consistently increasing dividend, currently at a yield of 4.1%, it's one of the best stocks to buy now and hold for years.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
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