



2 TSX Dividend Aristocrats That Can Make You Money in Your Sleep

Description

Investing in Dividend Aristocrats offers dual benefits. Besides capital appreciation, investors enjoy consistent income in the form of dividends. This is important, as a regular dividend inflow reduces your payback period, while a reinvestment of these dividends in the same stock could eventually lead to higher returns.

Take the current scenario as an example. Most TSX stocks, excluding the ones in the [energy sector](#), have underperformed amid a weak macro environment. However, those who invested in Dividend Aristocrats have made some money in the form of dividends.

The idea here is to make your money work for you. So, if you have some extra cash, consider investing it in top-quality dividend stocks that will make you money while you sleep.

Among several [Dividend Aristocrats](#) listed on the TSX, I have shortlisted two with well-established businesses, over 25 years of dividend payment and growth history, and strong earnings potential to support future payouts. Let's take a closer look at them.

Fortis

The first Canadian company is **Fortis** ([TSX:FTS](#)), which operates a regulated electric and gas utility business. Fortis is among the safest and most reliable dividend stocks listed on the TSX. Thanks to its regulated business, this utility company generates predictable cash flows to support its payouts. It's worth highlighting that Fortis recently increased its quarterly dividend by 6%, marking 49 consecutive years of dividend payments.

Furthermore, Fortis has delivered an average annual total shareholder return for the last 20 years stands at 12.1%, which is higher than its peer group average of 10.9%.

Fortis is confident of enhancing its shareholders' return further through higher dividend payments. Through its \$20 billion capital plan, the company expects its rate base to grow at a CAGR (compound annual growth rate) of 6% through 2026. This will expand its earnings base and drive higher dividend

payments. Notably, Fortis projects a 6% yearly increase in its dividend through 2025.

The visibility over its future payouts, growing rate base, and growing renewable power-generation capabilities make it a reliable dividend stock. Meanwhile, investors can earn a dividend yield of 4.4% by investing in it at current levels.

Enbridge

Like Fortis, **Enbridge** ([TSX:ENB](#)) is another solid stock to make money while you sleep. This energy infrastructure company has one of the best dividend payment and growth history (it's paid a dividend for over 67 years and increased it for 27 consecutive years). The company even raised its dividend amid the pandemic, when most energy companies struggled to remain afloat and announced dividend cuts.

Also, it is worth highlighting that Enbridge's dividend has had a CAGR of 10% since 1995 — the highest among its peers. Moreover, since 2008, it has raised its dividend at a CAGR of 13%. Its solid dividend payment and growth history indicate that its payouts are well protected. Moreover, investors can make steady passive income, irrespective of the market conditions.

Enbridge's robust payouts are backed by its two-pronged strategy, which includes expanding conventional pipelines and increasing renewable power capacity. This has positioned it well to capitalize on the growing energy demand. Also, Enbridge has 40 diverse cash streams. Moreover, 80% of EBITDA (earnings before interest, taxes, depreciation, and amortization) has protection against inflation. This drives its distributable cash flows and supports higher dividend payments.

Enbridge is yielding 6.7% at current levels, while its payout ratio of 65% of distributable cash flow is sustainable. Enbridge could continue to benefit from the higher utilization of its assets. Meanwhile, its \$10 billion secured growth program will support its future cash flows.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
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