3 TSX Dividend Stocks to Buy for a Stable Passive Income

Description

Some stocks offer stable dividends, while some offer capital gains. Very few names provide both. Here are three such TSX stocks that offer handsome total-return prospects.

Suncor Energy

Energy stocks have been on fire since the pandemic. They have generously rewarded shareholders with both dividends and stock appreciation. Canadian oil sands giant **Suncor Energy** (TSX:SU) is one such name that has returned a decent 65% since last year.

Though Suncor Energy's total returns fall short of some Canadian energy giants, it looks well placed to up its dividend game now. One major reason behind this is it is expected to allocate a higher portion of its free cash flows to shareholder dividends in the second half of 2022. In the last few quarters, Suncor Energy paid off its debt with excess cash.

Now that the debt has been reduced significantly, shareholders could see higher dividends. As the debt has declined, Suncor Energy's balance sheet has notably strengthened, making its dividends more reliable. SU stock yields 4%, which is in line with TSX energy stocks.

Suncor Energy will release its third-quarter (Q3) 2022 earnings next week. Thanks to higher oil prices, Suncor will likely report superior free cash flow growth, continuing the trend of the last few quarters.

Canadian Utilities

Canadian Utilities (TSX:CU) is another stable name that pays consistently growing dividends. It currently yields 5%, which is higher than many other TSX stocks. It has the longest dividend-growth streak in Canada, raising shareholder payouts for the last 50 consecutive years.

Canadian Utilities earns a majority of its earnings from regulated operations, facilitating stable dividends. These earnings and dividend visibility stand tall in uncertain markets. Plus, it gives away a large portion of its earnings as dividends, making dividends a key contributor to total returns.

CU stock has lost 15% in the last couple of months, following peer TSX utility stocks. Even though CU stock has been weak recently, it will likely have a limited downside from the current levels. As markets turn more volatile, defensives such as Canadian Utilities will likely gain steam.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY) has dropped 18% since February, which is in line with its peers. If you've been waiting to buy some RY shares, this correction is a great opportunity.

RY stock is currently trading at a dividend yield of 4.2%. The stock has been down due to rate-hike woes and relatively lower earnings growth in the third quarter. However, its dividend profile seems strong, and it will likely keep paying shareholder dividends for years. That's mainly because of its earnings stability and balance sheet strength.

It has an unmatched scale that facilitates predictable earnings. Moreover, Royal Bank pays out nearly half of its earnings in the form of dividends to shareholders. So, it has returned 14% compounded annually in the last decade, while peers returned 11% in the same period.

Even if RY stock has been on a decline for the last few months, that does not mean it will recover soon. It might continue to trade subdued due to rapid interest rate hikes by central banks and inflation worries. However, if you are a long-term investor focusing on passive income, RY looks attractive at current levels.

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