Want $3,250 in Passive Income? Invest $50K in This Canadian Stock

Description

The stock market has been highly volatile, leading to significant losses for equity investors. However, high-quality Canadian dividend stocks have helped investors earn steady passive income and battle inflation. Thus, adding a few top dividend-paying stocks to your portfolio is necessary. It not only enhances your income, but dividend stocks are also relatively less volatile and add stability to your portfolio.

However, investors considering investing in dividend stocks for passive income should take caution and look for large-cap companies with a solid dividend payment history. Large-cap companies have well-established businesses that help protect their payouts. Moreover, they generate steady earnings to support future dividend payments.

In this article, I'll focus on one such fundamentally strong, large-cap TSX stock with a phenomenal track record of dividend payments and growth. Moreover, its utility-like, predictable cash flows position it well to pay a higher dividend in the coming years. Investors should note that investing $50K in this Canadian stock near current levels can help you earn a worry-free passive income of $3,250/year.

Here's the best Canadian stock to earn $3,250 in passive income

While the TSX has multiple top-quality, dividend-paying, large-cap stocks, I am bullish on **Enbridge** (TSX:ENB). The stock has been resilient to the recent selloff in equities and gained about 15% year to date, outperforming the benchmark index by a wide margin. This reflects the higher utilization of its assets amid the recovery in energy demand.

Enbridge has a market cap of $109.7 billion and operates an energy infrastructure business. The company's business is supported by diverse cash streams and long-term contractual arrangements. Further, these contracts have levers to lower volume and price risk (including regulated cost-of-service tolling frameworks and power-purchase agreements).

Thanks to its solid business model and framework to protect its distributable cash flows (DCF), it has paid a dividend for over 67 years without interruption. However, what's worth highlighting is its stellar dividend-growth history. It has increased its dividend for 27 years. Its dividend has had a CAGR (compound annual growth rate) of 10% during the same period, which is higher than its peers, including **Pembina Pipeline** and **TC Energy**.

Another key highlight is Enbridge's inflation-protected EBITDA (earnings before interest, taxes, depreciation, and amortization). About 80% of its EBITDA has protection against inflation. Further, its EBITDA grew at a CAGR of 14% in the past decade, driving its DCF per share and higher dividend payments (its dividend increased by 13% during the same period).

Expect a growing passive-income stream

While Enbridge's payouts are safe, its focus on expanding and modernizing its conventional pipelines and investments in renewable assets will help it capitalize on growing energy demand and deliver higher dividend payouts. Further, Enbridge is expected to benefit from the new assets coming into service over the next decade. Moreover, productivity enhancements, acquisitions, and a strong balance sheet augur well for growth.

Enbridge expects its DCF per share to increase at a CAGR of 5-7% through 2024, implying its dividend could grow at a similar pace.

Bottom line

Enbridge's resilient business, growing dividend, and sustainable payout ratio of 60-70% of DCF make it a solid stock to generate reliable passive income regardless of the volatility in the market. Meanwhile, Enbridge offers an attractive yield of 6.5% at current levels.

While I'm confident about Enbridge's future payouts, I would advise that investors diversify their investments and not put their entire capital into one or two stocks.

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Date
2025/08/25
Date Created
2022/11/10
Author
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