3 TSX Dividend Stocks That Could Pay You Forever

Description

Dividend stocks can be very appealing because of their potential to generate a source of passive income. In fact, of all the ways an investor can generate passive income, dividend stocks may have the lowest barrier to entry. If you do decide to go down this route, it's important to note that this investment strategy is a long-term play. It'll take many years of discipline and consistency to generate a source of passive income that you can live off. However, it's certainly possible.

Here are three TSX dividend stocks that could pay you forever.

This stock has paid shareholders for nearly two centuries

When looking for stocks that could pay you forever, it makes sense to focus on companies that already have a long history of distributing dividends. Take **Bank of Nova Scotia** (TSX:BNS) for example. This is one of Canada's largest banks in terms of assets under management, market cap, and revenue. Bank of Nova Scotia first distributed a dividend on July 1, 1833. Since then, the company has never missed a dividend payment. That represents 189 years of continued dividend distributions.

That's no small feat that the company has accomplished. Think about all the terrible market conditions that Bank of Nova Scotia has had to endure over the past two centuries. Even though the company hasn't been able to increase its distribution each year, the fact that it's been able to ensure *any* dividend speaks volumes regarding its commitment to paying its shareholders. This is one stock that I think all dividend investors should hold in their portfolio.

A stock with a long history of increasing its distribution

Investors should also look for stocks that have a long history of increasing dividend distributions. This is an important thing to consider because a growing dividend could help investors stay ahead of inflation. **Fortis** (TSX:FTS) is an excellent example of a company with a long history of dividend raises. This company has increased its dividend in each of the past 49 years. That gives it the second-longest active dividend-growth streak in Canada.

The company has already announced that it plans to continue raising its dividend through to at least 2027. Fortis aims to maintain a dividend growth rate of 4-6% over that period. It has been able to plan for these dividend raises due to the predictable nature of its revenue. If a growing dividend is something that you value greatly, then Fortis is a no-brainer for your portfolio.

Look for stocks with a low payout ratio

A low payout ratio is another metric that investors could consider when looking for stocks that could pay them forever. For those that are unfamiliar, a payout ratio is simply the proportion of a company's net income that is allocated towards its dividend.

This is important to consider, because a lower payout ratio can suggest two things. First, if a company's income suddenly drops, then a lower payout ratio would indicate that a dividend may be safe from any cuts or suspensions. Second, it suggests that a certain stock has a lot more room to grow its dividend in the future.

Generally, I look for stocks that have a payout ratio of 40% or lower. **Canadian National Railway** (TSX:CNR) is an excellent example here. This company has managed to raise its dividend in each of the past 26 years. That makes it one of 11 TSX-listed stocks to achieve that feat. Despite those raises, Canadian National's payout ratio is only 40%. I believe it could continue to increase its distribution at a comfortable rate over the coming years.

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1. Dividend Stocks
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