3 Top Canadian Stocks to Buy for Monthly Passive Income

Description

Since most Canadian dividend stocks offer a quarterly payment frequency, investors are used to spreading out four yearly payments over 12 months. The different payment schedules makes budgeting a bit challenging as you may get a high dividend income in some months and virtually none in others.

If it's something you find challenging to handle, you may consider investing in monthly dividend payers to generate your dividend-based passive income.

An energy company

Keyera (TSX:KEY) is a massive, independent midstream company in Canada, the largest one of its kind in the country. The asset/infrastructure portfolio of the company is quite impressive – 17 underground caverns, 4,400 km of pipelines, and a dozen natural gas processing plants. And the company is also in the energy marketing business.

The midstream positioning and intelligent debt management make it a safer stock with a relatively steady price. And the price comes with a juicy 6.5% yield right now, backed by a healthy 84% payout ratio. The company used to raise its payouts before the pandemic but has paused this practice since 2020. Still, the yield is enough to generate about $108 a month in passive income with $20,000 in capital.

A mortgage company

Even though the mortgage market is dominated by the big banks in Canada, there are still sizable players like **First National Financial** (TSX:FN) operating in the market and catering to the people that cannot get the banks to fund their mortgages.

First National Financial stands out because not only is it the largest private mortgage company in Canada, but it's also an aristocrat with a very generous 6.73% yield. What's more, it's a good pick to diversify your holdings within the financial sector, especially if you have invested heavily in bank stocks.

The company has raised its payouts from $0.1542 per month to $0.2000 per month between 2018 and 2020. It's decent enough progress, especially considering that the stock has also gone up 23% in that period. That yield is enough to start a passive income of about $111 a month with $20,000 in the company, and you may see the amount grow over time each year.

A REIT

SmartCentres (TSX:SRU.UN) is a giant in retail space/shopping centre properties, with a significant portion of its portfolio anchored by an almost evergreen giant like **Walmart.** A part of its growth strategy, the REIT is repositioning itself and prepared to make waves in the mixed-use space. The projects are part of its SmartLiving business and include multiple communities, mostly in Ontario with some in Quebec.

As a stock, SmartCenters has always been coveted for their dividends. It used to raise its payouts regularly but, like Keyera, has stopped this practice in the wake of the pandemic.

Still, the 6.9% yield it's offering is quite impressive and enough for a monthly income of about $115 (with $20,000 invested). And there is a strong probability that the REIT might start raising its payouts again once the market stabilizes a bit.

Foolish takeaway

Even though not one of the three can be classified as large-cap stocks, they come with similar stability and "weight." All three are leaders within their markets and have stable dividends supported by healthy payout ratios. So even if you don't see much capital appreciation from these companies, they are still great picks for passive income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:KEY (Keyera Corp.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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