3 TSX Stocks to Buy for Monthly Passive Income

Description

Investors seeking steady passive income can consider investing in Canadian dividend stocks. But before investing in stocks for regular income, one must understand that dividends are not guaranteed. Thus, picking companies with a growing earnings base, resilient business model, and well-covered payouts is essential.

Thankfully, the TSX has several companies that offer reliable payouts. However, I'll restrict myself to the corporations that pay monthly dividends. Getting a monthly dividend not only boosts the overall income but also allows you to reinvest the same in stocks to create wealth. Against this background, here are three Canadian stocks that pay you monthly dividends.

Keyera

Investors could consider investing in the shares of midstream energy company **Keyera** (TSX:KEY) for monthly dividend income. With a monthly dividend of $0.16 a share, Keyera offers a high yield of about 6.5% (based on the closing price of $29.68 on February 7). While the yield attracts, its payouts are well covered and supported by the growth in its distributable cash flow (DCF) per share.

Notably, Keyera owns fee-for-service energy infrastructure assets that generate solid cash flows to organically support its growth initiatives and drive dividend payments. Thanks to its high-quality asset base, Keyera's DCF grew at a CAGR (compound annual growth rate) of 8%. Furthermore, its dividend increased at a CAGR of 7% during the same period.

Overall, the resiliency of its business model and low financial leverage bode well for future growth and are likely to support its payouts. Further, its payout ratio of 50-70% of DCF is sustainable in the long term.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) is an energy transportation and midstream service provider. The company has maintained and increased its dividends since 1998, which makes it a reliable stock for income investors. Furthermore, the company's assets are diversified and highly contracted, implying its dividend payouts are well covered.

It's worth highlighting that Pembina generates solid fee-based cash flows and has increased its dividend at a CAGR of about 5%. Pembina focuses on reducing debt, increasing dividend, and share buybacks through its disciplined capital allocation. Further, focus on optimizing assets and benefits from growth projects will likely support its financials. Investors can earn a high yield of 6.5% by investing in Pembina Pipeline stock.

NorthWest Healthcare Properties REIT

As REITs (real estate investment trusts) are popular for their high payouts, investors could consider adding them to their portfolio for monthly passive income. However, one should take caution before investing in a REIT, as a high-interest rate environment creates short-term challenges. Nevertheless, investors could keep an eye on **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), which owns a diversified and defensive portfolio of healthcare real estate assets.

As NorthWest focuses on healthcare operators, it has exposure to a high-quality tenant base. Further, most of its tenants are backed by government support. Additionally, NorthWest Healthcare Properties benefits from its high occupancy rate and long lease expiry term. For instance, it has a high occupancy rate of about 97%. Meanwhile, its average lease expiry term of approximately 14 years adds visibility over future cash flows. Also, most of its rents have protection against inflation, which allows it to grow organically.

Overall, its defensive model and high yield of 8.2% make it a solid passive-income stock.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KEY (Keyera Corp.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:PPL (Pembina Pipeline Corporation)

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