How I'd Invest $5,000 to Collect Safe Dividend Income in 2023

Description

The stock market has rallied in 2023, but there are still plenty of storm clouds on the horizon. When there is uncertainty in the market, dividend stocks can be a comforting investment. Even though stock prices swing, stocks in quality businesses continue to generate cash and pay dividends. The best companies can actually grow cash flows and dividends, even in a bad economic environment.

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Now, if you want safe dividends, sometimes you have to sacrifice dividend yield for business quality. A sustainably growing business (and dividend) can help you sleep better at night and earn better (more consistent) long-term returns.

If you've got $5,000 and are looking to earn ultra-safe passive income, there are still plenty of stocks trading at attractive prices and good yields. Here are three stocks I'd consider buying with $5,000 for safe passive income in 2023.

Brookfield Infrastructure: Defensive growth

Brookfield Infrastructure Partners (TSX:BIP.UN) offers the defensive qualities of a utility, but more upside than your average boring utility. Not only does Brookfield operate a wide mix of essential businesses (ports, railroads, utilities, pipelines, data centres, and cell towers), but it is also an excellent investor.

It buys assets when the economy is depressed, fixes them up, and either milks the cash flows or sells them at a premium price. It just announced annual results for 2022, and funds from operation (FFO) per unit (its core measure of profitability) grew 11%.

The company also increased its dividend 6%. Today, this stock yields a 4.5% dividend. It has grown its dividend by the mid-single digits every year since its inception. Its payout ratio sits at 68%, which suggests its dividend is very sustainable.

Granite: Great assets and tailwinds for dividend growth

An infrastructure-like real estate stock is **Granite Real Estate Investment Trust** (TSX:GRT.UN). It operates a portfolio of manufacturing and logistics properties across North America and Europe. You could say these assets help form the backbone of the industrial and commercial economy.

It has 99% occupancy and an average lease term that spans nearly six years. This real estate investment trust has almost five million square feet of space in development, and that should provide some solid growth in 2023.

Granite has market-leading, low-debt balance sheet. This stock earns a 3.86% dividend yield, but it has a 12-year history of raising that dividend consecutively. Its payout ratio sits at 80%, which is very sustainable and backed by its quality balance sheet.

Fortis: A sleep-easy-at-night, dividend-growth stock

Fortis (TSX:FTS) stock is about as defensive as you can get. It operates transmission and distribution utilities across North America. 99% of its assets are regulated, which means it earns a predictable earnings stream. Given how crucial energy and electrification are, this stock should enjoy steady growth tailwinds for decades.

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It just announced year-end results, and it grew earnings per share by 7% to $2.78 per share. It continues to advance a $22.3 billion five-year capital plan that it hopes will grow its rate base annually by around 6%. Dividends are expected to grow by a 4-6% compounded annual rate. A majority of these investments are very low risk, so the sight lines for growth are predictable.

Fortis stock pays a 4.15% dividend. It operates with an 81% dividend-payout ratio. Given its low-risk, steady-earnings model, its dividend is considered very safe. There is not a lot of growth here, but you can sleep easy at night owning this dividend stock.

CATEGORY

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2. TSX:FTS (Fortis Inc.)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)

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