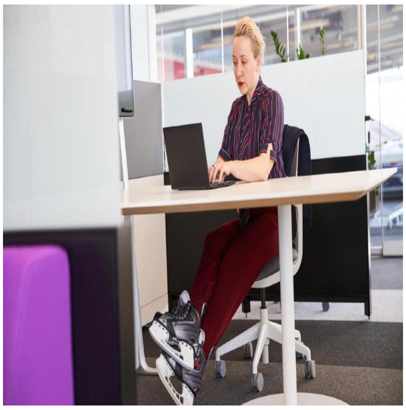

2 Top Canadian Stocks to Buy for Passive Income in February 2023

Description

Even though the Canadian stock market has been broadly rising in 2023, plenty of stocks that earn passive income are trading at attractive prices. The great thing is that you don't need to look far to find high-yielding dividend stocks.

The markets are uncertain, but you don't have to be (if you look out a few years)

However, the market and economy are uncertain in the near term. You do need to be a bit picky. Rising interest rates are a huge headwind for many Canadian stocks that pay passive income. As a result, you need to look beyond a big dividend yield and ensure that the business model and capital structure (including dividend payments) are sustainable.

Likewise, you will need to think long term and look past the next quarter or even year of earnings. Top quality stocks fluctuate sometimes just as much as low-quality businesses. Don't let daily market sentiment determine your investment decisions. Rather, let the business fundamentals guide your choices.

If you are looking for quality passive income stocks to buy this February, here are two large-cap, blue chip stocks for the top of your list.

Fortis: Safe, simple, and growing passive income

Fortis (TSX:FTS) is undeniably a boring business. It will likely take a very long time for this stock to double your money. However, that is not why you hold it.

You buy this stock as an anchor in your portfolio. Given that the stock market gyrates so much, it is a smart idea to own a stock that steadily plows forward and provides stable passive income returns.

Because 99% of Fortis assets are regulated, the utility delivers a predictable stream of earnings.

Electricity and gas are crucial services that society *needs.* Fortis just delivered very solid 2022 results in which earnings per share increased 7%. Fortis has a solid, low-risk capital plan that anticipates growing by around 6% on a go-forward basis.

While FTS stock only pays a 4.11% dividend, it raised its dividend 6% last year. That is a part of a 49-year history of consecutively increasing its dividend. Not to mention, its dividend payout is very sustainable, so its target for 4–6% annual dividend growth is very reasonable.

TELUS: A good outlook for outsized passive income growth

Another solid, blue chip Canadian stock for passive income is **TELUS Corp**. (TSX:T). Its stock is down 14% over the past year. At $27.50, and a 5.15% dividend yield, it looks attractive.

Out of all the telecom stocks in Canada, it has consistently delivered some of the best operational and financial results over the past several years. Management has been very strategic about allocating capital to smart investments like product bundling, fibre optic infrastructure, and digital technologies. As a result, it has been leading in customer additions and gaining market share.

The company has taken on a bit of extra debt to accomplish this, and that has put some pressure on earnings. However, now that TELUS' capital cycle is slowing, it expects to yield substantial amounts of excess cash.

That means it can start to lower debt and return more capital to shareholders. For the coming few years, it has a target to grow its dividend by 7–10% annually all the way to 2025. For a growing stream of passive income, TELUS is a solid stock to consider buying today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:FTS (Fortis Inc.)
2. TSX:T (TELUS)

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