Dividend Investors: 2 Stocks for Decades of Passive Income

Description

The best kinds of dividend stocks are those that can consistently and sustainably grow their dividends. Generally, a dividend that consistently grows says a few important things about an investment.

Stocks that regularly growth their dividends can signal a smart investment

Firstly, the company needs to have a predictable business model to be able to steadily increase its dividends to shareholders. Often, this means contracted, regulated, or essential demand for its services.

Secondly, it has to be growing its earnings and cash flow per share to afford to raise its dividend. It needs some long-term trends or tailwinds to support its growth.

Thirdly, a growing dividend signals that management is trying to maintain an efficient capital structure. A company with a growing dividend means it needs to be prudent about how it invests.

Lastly, a company that pays a growing dividend must have a strong balance sheet that can both fund growth and fund its dividend. There are always exceptions to this, but seeking these four criteria is a good way to ensure a sustainable a stock has a growing and sustainable dividend.

Two high-quality Canadian stocks to consider owning for decades of passive-income growth are **TELUS** (TSX:T) and **Canadian Natural Resources** (TSX:CNQ).

TELUS stock: 13 years of solid dividend growth (and more to come)

At first glimpse, TELUS appears as a boring telecommunications stock. Frankly, it is that. With a market cap of $39 billion, it is the second-largest provider of cellular and internet services in Canada.

However, TELUS has been looking to become much more than a telecom business over the past several years.

It has differentiated itself by building digital services in a broad array of essential areas. This includes virtual healthcare solutions, agriculture and food technologies, and IT, artificial intelligence, and customer experience services.

While these are a smaller portion of TELUS's revenues today, they are each growing by a significantly faster rate than the telecom business. This means they could eventually be substantial earnings contributors in the future.

This dividend stock is nearing the end of a large capital-spending cycle, and it expects to yield a lot of spare cash in the coming few years. While it yields a 5.15% dividend today, it has a 13-year history of growing its dividend by around 6-7% a year. Management believe that its dividend could grow annually by 7-10% over the next few years.

CNQ stock: Two decades of double-digit passive-income growth

Given the cyclical nature of the energy sector, it has not always been the greatest sector to earn consistently growing dividends. However, one top stock is an exception. **Canadian Natural Resources** has a 23-year history of growing its dividend by a +20% annual compounded rate.

The company has built out and acquired an impressive set of energy production assets. Its assets have low decline rates, decades-long reserves, and incredibly efficient (and low-cost) operations. All this means that it can create growing streams of cash flows, even though oil prices have fluctuated over the years.

CNQ stock earns a 4.2% dividend yield right now. Last year, it raised its dividend twice and paid a special $1.50-per-share dividend. It is rapidly paying down debt and buying back stock. Given that oil remains around US$80 per barrel, one can suspect 2023 (and likely years ahead) will be another great year for dividend growth.

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2. TSX:T (TELUS)

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