Get $1,000 in Monthly Rental Income From Allied Properties Real Estate Investment

Description

Some investors buy properties and rent them out to receive rental income. Those properties require a huge amount of capital up front. By investing in real estate investment trusts (REITs) instead, investors can invest a small amount and still receive a juicy monthly income. Additionally, a professional management team takes care of the properties and the tenants, so you don't have to.

Furthermore, by buying REITs, you diversify your portfolio immediately because REITs typically own and operate hundreds of properties.

How to receive $1,000 in monthly income

Buying 8,224 units of **Allied Properties Real Estate Investment** (TSX:AP.UN) at about $37 per unit would cost a total of $304,288, and you'd receive $1,000 per month, a yield of 4%.

Investment	Annual Income
$304,288	$12,000
$152,144	$6,000
$30,451	$1,200

Most of us probably don't have that kind of cash lying around. No problem. You could buy 4,112 units at $37, costing a total of $152,144, and you'd receive $500 per month, and still get a 4% income from your investment.

Okay, $152,144 is still too much. Instead, you could buy 823 units at $37 per unit, costing $30,451, and you'd receive $100 per month.

See what I'm getting at? You'd receive that 4% annual income no matter how much you invest. And the investment amount is up to you.

Is Allied Properties REIT’s income safe?

Between 2004 and 2014 Allied Properties’s distribution increased by 24.8%. Additionally, its payout ratio is sitting around 70%. So, it’s likely the REIT will continue paying that 4% yield, and even surprise you by hiking it occasionally.

For investors who don’t need the income today, they can reinvest the distributions with a 5% discount! I can easily turn the dividend reinvestment plan on or off with the click of a button on my bank’s website.

Tax on the income

REITs pay out distributions that are unlike dividends. Distributions can consist of other income, capital gains, foreign non-business income, and return of capital. Other income and foreign non-business income are taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate.

So, to avoid any headaches when reporting taxes, buy and hold REIT units in a TFSA or an RRSP. However, the return of capital portion of the distribution is tax deferred. So, it may be worth the hassle to buy REITs with a high return of capital in a non-registered account. In the past decade, Allied Properties’s distribution typically had more than 50% from return of capital and 20-30% from other income.

Of course, each investor will need to look at their own situation. For instance, if you have room in your TFSA, it doesn’t make sense to hold investments in a non-registered account to be exposed to taxation.

In conclusion

Allied Properties REIT offers a high-quality yield of 4% with growth potential in income and capital gains. This income is paid out monthly, so you can do whatever you want with it. You can use it to pay bills or you can reinvest it at a discount.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)

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