



## Dividend Investors: a Solid 5.2% Instant 3-Stock Portfolio for You

### Description

Are you at a loss on what to buy in this market downturn? Well, you don't need to waste time trying to figure that out. If you have a long-term outlook and want to build passive income, look no further than these three dividend stocks that give you a combined yield of 5.2% instantly.

They are from different industries, which will give you a good start in your quest to build a diversified dividend portfolio of quality stocks.

#### **Bank of Nova Scotia: 4.8% yield**

Canadian banks are known for their quality and strength. So, it naturally follows that my number one choice for this portfolio is a Canadian bank. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is a diversified bank with core operations in North America, Latin America, the Caribbean and Central America, and parts of Asia.

After falling from its 52-week high of \$73 to \$58, the bank is 20% cheaper with an attractive yield of 4.8%. An investment of \$10,000 today would generate \$480 of annual income for your portfolio. The bank has paid dividends every year since 1832, so I'd bank on it to continue paying dividends for many years to come.

#### **TransCanada: 4.8% yield**

Another industry that generates healthy cash flow is the pipelines. **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) is a pipeline leader that generates cash flow from storing and transporting energy. It also has power-generation assets that diversifies away from the effects of oil prices. Its shares have been dragged down over 30% due to the oil price plummet.

However, TransCanada shows a solid dividend-growth history. For 14 years in a row it has hiked its dividend. The company's cash flows is so predictable that it anticipates to increase its dividend at an annual rate of 8-10% through to 2017. So, investors can already forecast their income generation from TransCanada to grow from its current yield of 4.8% to 5.6-5.8% by 2017.

An investment of \$10,000 today would generate \$480 of annual income for your portfolio, and \$560-580 by 2017.

### **RioCan REIT: 6% yield**

If you're looking for retail real estate income, **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) should be where you look first. It is an industry leader as the largest retail REIT in Canada with a market cap of close to \$7.6 billion.

Some of RioCan's top retail tenants include Shoppers Drug Mart, Loblaw, Canadian Tire, Wal-Mart, Cineplex, and Staples. Foolish investors can tell that RioCan is doing its job right because it's able to consistently maintain its lease retention rates above 96%.

The rental income it receives is well diversified across 8,000 retail tenants with none contributing more than 3.8% of annual rental revenue. An investment of \$10,000 today would generate \$600 of annual income for your portfolio. RioCan pays distributions monthly, so that can use the income to pay your bills or to invest.

### **Tax on REIT 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.

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**

If Foolish investors were to invest the same amount in these three stocks today, you would get a starting yield of 5.2%. With Bank of Nova Scotia and TransCanada's long history of paying and hiking dividends, you're almost guaranteed that your income from this portfolio will increase every year. And RioCan REIT will jump start your income with its above average 6% yield.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TRP (Tc Energy)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

5. TSX:TRP (TC Energy Corporation)

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