

## Why REITs are the Perfect Monthly Income Vehicles in Your TFSA

### Description

If you need income now, you should consider real estate investment trusts (REITs), which typically offer above-average yields, in your TFSA for a tax-free income.

Canadian REITs conveniently pay their distributions on a monthly basis, so their distributions are perfect for paying the bills or going towards your savings fund every month.

REITs generally hold a diversified portfolio of real estate properties. Buying REITs will be more diversified than buying individual real estate properties on your own.

Additionally, you'll get a truly passive monthly rental income stream since you won't need to worry about property maintenance or maintaining a good relationship with your tenants.

### Tax on the income

Another benefit of holding REITs in a TFSA is that you won't need to worry about the tax treatment of their distributions.

REITs pay out distributions that are unlike dividends. Distributions can consist of other income, capital gains, foreign non-business income and return of capital.

In a non-registered account, 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.

On the other hand, the return of capital portion reduces your adjusted cost basis. This means that that portion is tax deferred until you sell your units or until your adjusted cost basis turns negative.

If you hold REITs in a non-registered account, you'll need to track the change in the adjusted cost basis, but the T3 that you'll receive will help you figure out the new adjusted cost basis.

### Which REITs should you buy?

There are many options, but here are some names to consider.

**H&R Real Estate Investment Trust** ([TSX:HR.UN](#)) is a diversified REIT that owns office, retail, and industrial properties. It offers a 5.8% yield at \$23.25 per unit.

**Plaza Retail REIT** ([TSX:PLZ.UN](#)) is a retail REIT with above-average industry growth. It has hiked its distribution every year since 2003, and only two Canadian REITs have achieved that track record. Plaza Retail offers a 5.1% yield at \$5.08 per unit.

**Artis Real Estate Investment Trust** ([TSX:AX.UN](#)) is a diversified REIT that yields 8% at \$13.57 per unit.

**NorthWest Health Prop Real Est Inv Trust** ([TSX:NWH.UN](#)) is a global healthcare REIT that owns a portfolio of hospitals and medical office buildings in Canada, Brazil, Australasia, and Germany. The REIT yields 7.9% at \$10.90 per unit.

**Dream Global REIT** (TSX:DRG.UN) invests primarily in office properties in Germany and has recently expanded into Austria. The REIT yields 8.6% at \$9.32 per unit.

## Conclusion

Holding REITs in a TFSA is the perfect way to earn a high monthly income without having to worry about tax reporting. Buying REITs on dips will generate an even higher yield to start.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:HR.UN (H&R Real Estate Investment Trust)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:PLZ.UN (Plaza Retail REIT)

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