# Discover the Benefits of Compounding With These 2 Monthly Dividend Payers

## Description

Recently, the topic of Tax-Free Savings Account (TFSA) and Retirement Savings Plan (RSP) contributions came up, and the question of “how often should I contribute?” was raised.

For every Canadian, taxes must be filed annually, in most cases by the 30th of April. The government does not concern itself with the timing of contributions into any registered account. What matters is how much goes in and how much goes out on an annual basis. Monthly, quarterly, or annual contributions do not matter to the taxman.

Investors rarely think about the importance of making regular contributions and how they are financially impacted by their actions (or lack of actions). Getting past the obvious budgeting aspect of having either $1,200 available at the end of the year instead of $100 per month, Canadians will still benefit from making smaller, regular contributions throughout the year. Let’s ignore the tax benefits and look at the financial impact.



Assuming an annual return of 10% and monthly contributions of $100, an investor will have $1,256.56 at the end of the year, whereas an investor who came up with the $1,200 at the end of the year will not have experienced any return throughout the year. Clearly, the $100 per month leads to more money being invested throughout the year, which provides a higher financial benefit.

For investors who take these contributions to buy stocks, the frequency of the deposits is very important. For companies paying dividends on a monthly basis, investors will have 12 cash inflows instead of the standard four, which lead to a higher amount of money to reinvest in other opportunities throughout the year. If two stocks offer a comparable upside, it may be a very good idea to consider the importance of receiving monthly cash inflows (compounding more often) instead of the more popular quarterly dividends.

We’ll look at two stocks that pay monthly dividends.

Shares of **Pure Industrial Real Estate Trust** (TSX:AAR.UN) pay $0.026 per share. The annualized yield is currently close to 4.5%, which represents the cash inflows that can be reinvested into other investments throughout the year. The stock has increased by close to 40% over the past 12 months.

**Dream Industrial Real Estate Invest Trst** (TSX:DIR.UN) pays a monthly dividend of $0.05833 per share and offers a dividend yield close to 8% with the potential to receive capital appreciation on top of the dividend. The beauty of this security is that at a price of approximately $8.75 per share, the discrepancy between the share price and the tangible book value is very reasonable. The tangible book value is $7.60 per share as of the end of March 2017.

While the benefits of compounding money more often are very clear, it is important for investors to continue doing the important research and analysis before making any investment decisions. Compounding may seem like a very enjoyable thing to watch, but buying for the sake of getting a monthly dividend payer is not the way to go; it’s just a bonus.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:DIR.UN (Dream Industrial REIT)

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