TFSA Investors: A Dividend Stock to Buy in November

Description

Tax-Free Saving Accounts (TFSAs) provide a great incentive for investors to slowly build their wealth.

You do not pay tax on your capital gains and dividends you receive by investing through TFSA. You can also withdraw your investment anytime during your lifetime without any tax penalty.

Due to these advantages, the TFSA has become very popular among Canadians, especially young savers. The latest census numbers show the increasing popularity of TFSAs, with more than 40% of Canadians contributing to them.

To get you started on your TFSA, I have picked a top dividend stock you can consider adding to your TFSA in November.

RioCan Real Estate Investment Trust (TSX:REI.UN)

RioCan is Canada's largest REIT and is well positioned to maintain its high monthly dividend. With 300 retail properties across Canada, it owns and manages the country's largest portfolio of shopping centres, including **Wal-Mart, Canadian Tire**, and **Cineplex**.

Its stock has been under pressure this year due to some high-profile failures in the Canadian retail sector, including Sears Canada. But the company's latest quarterly results show that RioCan has a solid strategy in place to deal with these challenges, and it has not lost its spot in the list of most-trusted dividend payers.

Funds from operations (FFO), the most important benchmark for dividend investors, jumped 8% to $151 million in the third quarter, as compared to $140 million during the same period a year ago.

Committed occupancy continued to improve, increasing 150 basis points to 96.8% by September 30, compared to 95.3% during the same period a year ago.

As the Canadian retail industry goes through a change, RioCan is shifting its strategy as well. The company now plans to focus on the country's top six markets. It is selling 100 of its properties with a current value in excess of $2 billion.

By the end of third quarter, about 75 % of RioCan's annual rental revenue was from the six Canadian major markets. The company's new target is to generate well over 90% of annual rental revenue from these markets, with over 50% from the Greater Toronto Area.

Share performance

After falling to the lowest this year in September, RioCan shares are on a recovery path. During the past three months, RioCan stock has gained ~4% to $24.81 at the time of writing. RioCan pays a monthly distribution of $0.1175 per unit, with an annual dividend yield of 5.68%.

I think the negative factors that have made investors nervous throughout the year, such as rising interest rates and the possibility of a Canadian real estate crash, are not playing out. If you look at the company's balance sheet, its earnings, and future growth potential, you won't see dark clouds hovering.

For long-term investors, RioCan shares provide a good exposure to the country's real estate market and a potential to earn safe rental income.

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