A Solid Buy-and-Hold Dividend Stock for Your Monthly Income

Description

The daily market noise doesn't matter much if you're buying stocks to earn steady monthly income for your retirement. For you, the buy-and-hold investing strategy works the best.

The main advantage of investing with a long-term horizon is that your savings get multiplied by the power of compounding. If you've never heard this term before, then here is simple math I often use to explain the concept.

Let's say you own 1,000 shares of a $10 stock, which has a 5% annual dividend. At the end of the year, you'll have earned 5% at $500. Let's assume you start getting monthly dividend for the same investment rather than annually. If you receive monthly dividends, you can reinvest those dividends each month and earn 5.12% at $511.62. This is assuming the company paying the dividend has a dividend-reinvestment plan set up.

Investing in companies that have long histories of paying and growing dividends is a proven way to grow your savings for retirement. Growing dividends not only protect your investments from the effect of inflation, but they also help your savings grow faster if you re-invest your profits to purchase more of the company's shares.

Here is a solid monthly dividend stock you may consider for your buy-and-hold portfolio.

RioCan REIT

If you like Canada's robust real estate sector, then **RioCan Real Estate Investment Trust** (TSX:REI.UN) is your best buy-and-hold stock. It pays a monthly distribution. RioCan is Canada's largest REIT; it owns, manages, and develops retail-focused properties in prime markets.

Its portfolio is comprised of 289 properties, including 17 development properties, with an aggregate net leasable area of 44 million square feet.

This REIT also has consistent history of rewarding investors with growing dividends. The company has been paying dividends for the past 23 years. During that period, RioCan raised its annual distribution 17 times.

Investors who are thinking of buying this stock should note that RioCan has been under pressure for the past 12 months, as rising interest rates increase its borrowing cost. The market is also concerned that an e-commerce shift will cut demand for retail space, which RioCan relies on to generate cash flows.

But RioCan is transforming its business fast to take this challenge. Last year, the company announced that it’s exiting from Canada’s smaller markets and instead will focus on the six largest markets.

In the latest move, the company announced its new residential brand, RioCan Living, to take advantage of swelling demand for mixed-use properties. Under the RioCan Living brand, the company plans to turn selected existing retail shopping centres into vibrant, mixed-use communities, marking RioCan’s official entry into the residential market.

There are 43 projects within its portfolio that RioCan has currently identified as mixed-use residential opportunities with the potential to translate to over 20,000 residences in Canada’s six major markets.

The bottom line

Trading at $23.76 at the time of writing, RioCan shares are down 9% during the past 12 months. This pullback, however, pushed its annual dividend yield higher to more than 6%. The company pays a $0.12-a-share monthly dividend. I can’t predict if the current bearish spell has run its course for RioCan, but for buy-and-hold investors, the 6% yield should be quite attractive.

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Date
2025/07/04
Date Created
2018/03/06
Author
hanwar