Get Big Monthly Income for Your Retirement Fund With This Reliable 8% Yielding Hidden Gem!

Description

Yield hunting without proper due diligence can be as dangerous as trying to catch a speculative falling-knife stock on its way down or betting big on an expensive stock based solely on its momentum. It's not investing. It's speculating. And it's this dangerous strategy of "chasing yield" that's the retiree's version of kryptonite, even though it seems like deep-value investing due to the undervalued characteristics that an artificially high-yielding stock may exhibit alongside its fat dividend (or distribution) yield.

Retirees can't afford to speculate. And although a stock with an artificially high yield, a stock who's yield is only high because of a major decline in the stock, may seem like it's cheap with a perceived margin of safety, the fact remains that without thorough homework, an investor who blindly scoops up such a high-yielding name is taking on a lot more risk than they may realize. This investor may not only stand to face further severe capital losses but a dividend cut that would entice an investor to throw in the towel, locking in capital losses that could take many years to re-gain elsewhere.

You don't want to be caught offside with income stocks whose dividends are too good to be true, because a lot of the time, they are. That's not to say all extremely high-yielding securities are in bad shape though, as there are some rare high yielders out there that not only can support their sky-high dividends but are well-positioned to grow their already generous dividends on a consistent basis over the long haul. And, best of all, their stocks aren't in any sort of turmoil!

Enter **Inovalis REIT** (TSX:INO.UN), an overlooked foreign investment play with a whopping 8.1% distribution yield, strong FFO growth, and a modest amount of upward momentum over the last five years.

With a market cap of just $232 million, it's not a mystery as to why many income investors have overlooked the name. You'd have to do a deep dive in the TSX to find such a gem, and although the stock doesn't have as much liquidity, buy-and-hold income investors stand to do very well by pickingup the name and collecting the chunky distribution without having to worry about a reduction or cutover the medium to long term.

The REIT operates a handful of office properties in sought-after urban areas in major cities within France and Germany, allowing Canadians to get generous, sustainable monthly income to go with quality diversification in the European real estate market.

Fellow Fool contributor Brad MacInotish is pretty bullish on the company's forward-looking growth prospects: "I am expecting management to continue to chip away at owning more properties. They recently secured $22 million in new funds from a non-Canadian institutional investor. The deal is interesting because as a convertible note, it means the loan could be flipped to shares, which would be a vote of confidence in supporting Inovalis."

I couldn't agree more with Brad on this one. In spite of the extremely generous distribution paid to investors, for an operation as small as Inovalis's, above-average growth is possible thanks to the REIT's higher degree of agility than many of its larger, lower-yielding counterparts lack.

Foolish takeaway

Inovalis is a small REIT, but it's a stable one that can provide income investors with the best of both worlds: growth and a robust distribution payout.

Stay hungry. Stay Foolish.

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