How You Can Earn Over $1,000 in Monthly Income With $150k

Description

Don't think for a moment that you have to live by the 4% rule, an outdated rule of thumb that I slammed in a previous piece for a handful of reasons. The biggest takeaway from my criticism of the 4% rule was the fact that the generic rule unfairly shunned many healthy high yielders that could satisfy the income needs of retirees without the dangerous amounts of risk that are typically associated with high-yielding securities.

Now, higher reward usually comes with a higher degree of risk, but the magnitude of the extra reward that comes with some securities, I believe, dwarfs the additional risk taken on by an investor. How do you spot the yield traps from the reliable raise-giving operating cash flow-generative names? You've gotta do your homework and ensure full due diligence. There's no way around that, but if you're serious about giving yourself a raise, the enhanced income will be well worth your effort.

I've spotted two top high-yielding REITs, which, unlike most other high yielders, are financially sound, cash flow generative, positioned to grow at an above-average rate, and, most importantly, are not down a huge amount from their all-time highs. So, without further ado, meet **Inovalis REIT** (TSX:INO.UN), **Automotive Properties REIT** (TSX:APR.UN), and **Dream Global REIT** (TSX:DRG.UN): three quality REITs with yields of 8.4%, 8.5%, 6.2%, respectively.

While some of the REITs have been under a modest amount of pressure, which has been the case with most securities over the past year in this choppy market, none of the REITs mentioned fit the definition of an "artificially high yielder," a security whose yield has swelled up to a level that was never intended.

Let's have a brief look at each name.

Inovalis REIT

The massive 8.4% yield may seem too good to be true, but it's not. The security is just off 5% from its high and is well positioned to continue growing its distribution at an above-average rate. You heard that right, the yield is not only massive, but it has room to run over the next five years, as management grows its portfolio of European-based commercial properties.

Most of Inovalis's properties are fully occupied and are in sought-after urban locations within France and Germany. The small-cap REIT is backed by solid fundamentals and is truly a diamond that's buried beneath the rubble of the TSX.

Automotive Properties REIT

Here's a 8.5%-yielding REIT that gets a bad rap, as many income investors want nothing to do with the highly cyclical nature of the automotive industry.

While the "auto" keyword is undesirable, I believe the name is somewhat misunderstood, mainly due to the fact that the owner of auto dealership properties has many of its clients locked down with lengthy contracts (weighted average of around 13 years). That means the recession that's looming won't hit Automotive Properties REIT nearly as hard as it will any other company that's associated with the auto industry.

Dream Global REIT

Like Inovalis, Dream Global is a global play that provides exposure to the European real estate market with a focus on Germany and Austria. The trust owns nearly 13 million square feet worth of properties, and, like Inovalis, high vacancy rates and the relatively high payout aren't issues for the trust, which generates sufficient amounts of FFO.

Although the 6.2% yield pales in comparison to the two prior REITs mentioned, it's noteworthy that shares of the REIT have been on a huge run since 2016. Management continues to renew leases with its past clients, and with a modest 80% payout ratio, investors may be surprised with distribution hikes that'll come at a quicker and more generous rate than many massive REITs that trade on the TSX.

Foolish takeaway

In theory, the three REITs mentioned could provide you with around $1,000 on $150,000 in invested principal, but that doesn't mean you should allocate all $150,000 to the three of the securities mentioned in this piece, especially if that's your entire nest egg.

If $150,000 comprises less than a quarter of your net worth, however, you may feel free to scoop up one or all three of the REITs mentioned, assuming the rest of your portfolio is sufficiently diversified. I'd suggest a heavier weighting on Inovalis REIT, a bulletproof security that I don't think gets the respect it deserves from income investors.

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1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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