



Be Financially Free With This Dividend-Growth Stock

Description

One way to get to financial freedom is to generate enough income for your needs (and wants). Dividend-growth investing is a great fit for that. The essential part is to look for dividend-growth stocks that offer *sustainably growing dividends*. It's all the better if the dividend stocks offer a big yield to start, as it'll imply less growth needed to get the compounding going.

Right now, **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is a prime example of a high-yield stock that offers a sustainably growing dividend.



Image source: Getty Images.

The power of compounding

At \$23.36 per unit as of writing, Brookfield Property offers a cash distribution yield of 7.16%, as it pays out a U.S. dollar-denominated distribution.

According to the midpoint (6.5%) of management's estimates to increase Brookfield Property's dividend by 5-8% per year, this is the income generation power you can expect from an investment today.

Year	Yield on cost (YOC)
------	---------------------

0 (2018)	7.16%
1	7.63%
2	8.12%
3	8.65%
4	9.21%
5	9.81%
6	10.45%
7	11.13%
8	11.85%
9	12.62%
10	13.44%
11 double YOC	14.31%
12	15.24%
13	16.24%
14	17.29%
15	18.41%
16	19.61%
17	20.89%
18 triple YOC	22.24%
19	23.69%
20	25.23%

default watermark

Notably, it'll take a little longer than 11 years to double your yield on cost but a shorter time — fewer than seven years — to triple your yield on cost after that.

The key idea is not so much about the actual numbers but that the earlier you invest in dividend-growth stocks, the stronger the compounding effect will be (and the less money you'll need to invest in the future to get the same income or total returns).

You can also achieve your income goals sooner by [reinvesting the big dividends](#) you get from the stock — either reinvesting in the same stock or another quality dividend-growth stock.

How Brookfield Property's dividend is sustainably growing

Brookfield Property has about 80% of its balance sheet invested in its core portfolio of office and retail assets, which generate stable cash flows. The remainder of its balance sheet is invested in opportunistic investments that offer higher returns potential. Combining the cash flows it generates from its properties and realized gains from its opportunistic investments, Brookfield Property's recent payout ratio was sustainable at 84% with room to grow its business. In the long run, management aims for a payout ratio of 80%.

Why Brookfield Property offers a huge yield

It makes sense if you're worried about the sustainability of yields that are more than 6%. Here's why [Brookfield Property](#) offers a big yield of +7%.



BPY Dividend Yield (TTM) data by YCharts. All-time yield history of NASDAQ:BPY.

The stock's book value per unit has dropped about 7% from the end of 2017. This has more or less helped drag the stock price down by about 18%. The stock price drop has pushed up the company's initial yield. However, I believe the correction is overdone, as Brookfield Property's recent cash flow generation remained stable from a per-unit basis.

In my opinion, for real estate investments, the stability of the income they generate is more important than the fluctuations of the book value of the underlying assets.

Investor takeaway

Achieving financial freedom requires more or less an income strategy. Investing in safe, high-yield stocks such as Brookfield Property, which can increase dividends at a higher rate than inflation, is a key component of such an income strategy. Here are more top Foolish ideas to help you become financially free!

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/07/05

Date Created

2019/01/14

Author

kayng

default watermark

default watermark