



How to Turn a \$100,000 TFSA Into a \$8,000/Year Passive-Income Stream

Description

If you've been topping up the maximum allowable amount to your TFSA every single year, using the funds to invest in [blue-chip stocks](#), REITs, and other high-returning securities, you're probably sitting on (or are very close to achieving) a \$100,000 TFSA that's capable of paying you about \$8,000 per year, or \$666.67 per month in income, none of which the tax man will be able to touch.

So, simple math tells us that to land \$8,000 per year in dividends; we'll need a basket of securities that average a [yield of 8%](#). That's excessive by the standards of most investors. It's double that of the 4% rule — a conservative albeit outdated (I think, anyway) rule of thumb that many retired income investors live by.

Although you may think you're taking on an exorbitant amount of risk to obtain such an astonishingly high upfront yield, you'd be comforted to know that the two REITs I'm about to bring your attention to are not only capable of sustaining their huge distributions over time, but they have the capacity to continue growing their distributions over time.

Without further ado, enter **Inovalis REIT** ([TSX:INO.UN](#)) and **Automotive Properties REIT** ([TSX:APR.UN](#)), two top high yielders with 8.23% and 7.71% yields, respectively.

Inovalis REIT

For income investors, Inovalis is probably the TSX's best-kept secret. The office REIT is a relatively small with a mere \$236 million market cap and just a handful of properties located in the Greater French and German regions.

"When it comes to real estate, it's all about location, location, location." And that's where Inovalis's properties shine, as all the office properties are strategically situated in urban hotspots." I said in a prior piece. "With financing secured from a new investor, Inovalis will be able to grow its property portfolio and AFFO at a rate that wouldn't be possible if it were a behemoth of a REIT that many income investors have grown to love."

Despite being a small operation, the REIT has a big distribution and an even bigger long-term growth plan, as the REIT grows its NAV via joint ventures and asset re-positioning.

With 11% in management equity ownership as of the third quarter of 2018, Inovalis is a fantastic way for long-term investors to have their cake and the ability to eat it too, with its massive distribution and a commitment to long-term NAV and AFFO growth.

Automotive Properties REIT

Here's another quality REIT with a huge payout that doesn't nearly get the respect that it deserves. I imagine a scenario where most investors pass on the name without even taking a look to see what's underneath the hood.

You've got a massive yield that's nearly 8% and the word "automotive" in the name, both of which would be enough to frighten almost any investor. Yes, "peak auto" is on the minds of most investors, and while the distribution of Auto Properties REIT looks unsustainably high on the surface, it's actually one of the safest yields north of 7% out there.

Why?

Auto Properties REIT has most of its tenants locked down with long-term leases, which essentially means the cyclical nature of the auto business won't be felt with the REIT. Although its tenants may take a hit on the chin in the event of a recession, they'll still pay their rents and Auto Properties REIT shareholders will still get paid as if nothing sinister happened to the broader economy.

Although Auto Properties REIT isn't as choppy as the shares of auto dealers themselves, shares still stand to take a big hit in the event of a market-wide pullback. Auto Properties REIT went into free fall late last year, clocking in a drop that exceeded 22% from peak to trough before bouncing back abruptly along with the broader market.

That's a lot of volatility for a REIT. With a three-year beta of 0.95, you're essentially getting the same magnitude of volatility as a stock. If you're in it for the significant income though, it's a smart idea to buy the dips gradually over time to potentially bring your yield basis above the 8% mark and treat any quick capital gains from an upside correction as a bonus.

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joefrenette

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