Get $282 a Month in Passive TFSA Income From This Reliable REIT

Description

It's no secret that when creating an investment portfolio, diversification is a key ingredient. While that can mean investing in different industries, it should also mean buying different types of investments. That should include stocks, ETFs, funds, and dividend stocks.

I firmly believe that every portfolio should include at least one dividend stock, whether you're a millennial just starting out your nest egg or a retiree hoping to bring in some extra income beyond CPP. Dividend stocks can provide an incredible amount of passive income if you choose wisely, bringing in quarterly or even monthly funds that should only increase as the years go on. If you have a Tax-Free Savings Account (TFSA), that also means all of those funds come in completely tax free.

So, which stock should you buy?

In my opinion **SmartCentres REIT** (TSX:SRU.UN) is an excellent dividend stock to consider for your portfolio.

The stock currently offers a 5.31% dividend yield at writing, which translates to $1.80 per share per year, or $0.15 per share monthly. While I would never recommend you put all your eggs in one basket, if you and your partner were to use half of your total TFSA contribution room of $127,000 and split up the stock between the pair of you, a $63,500 investment in SmartCentres today would bring in about $282 a month as of writing this article. That would translate to $3,384 per year!

But before you go ahead and buy this stock, let's take a look at its history. It's important to note that while a dividend stock can look all shiny from the outside, dividends can also be a way for stocks to entice investors to buy up a stock, even when the stock doesn't have a history of strong performance.

However, in the case of SmartCentres, now looks to be a solid time to buy this stock. Since 2009, the stock has grown 227% to where it trades at writing at $33.77, with only slight dips along the way. As one of the larger real estate investment trusts (REITs) on the TSX, it has proven to be a well-diversified REIT with steady growth in both sales and property.

Recent growth has come from the alliance with Calloway REIT back in 2015. Since then, the stock has outpaced even **Choice Properties REIT –**– which owns **Loblaw** properties — by market capitalization, thanks to SmartCentres 82 **Walmart** stores it's owned since the 1990s when the retailer came to Canada.

On top of this growth comes the company's steady occupancy rate of an incredible 99%, making future cash flow no problem at all. This has also meant a low amount of debt for the company, with 46.3% of its assets having no debt at all. In the last five years, revenue has expanded 30%, and funds from operations UP 17%, so the financials of this company look to be rock solid. That's great news for investors who want to make sure a high dividend yield will continue to be covered in the future.

Foolish takeaway

As I mentioned, it's never smart to put all your eggs in one basket. Diversification is a key ingredient to any portfolio. But if you are able to divide a $63,500 investment in SmartCentres between you and your partner, that would bring in $282 of monthly income.

On top of that, REITs must pay out 90% of taxable income to shareholders, usually through its dividends. Looking at SmartCentres, that has meant a history of both consistent payouts and steady dividend increases since 2002. In the last five years alone, the dividend yield has increased 15% for shareholders.

So, whether you're looking to reinvest those dividends or use them for your retirement, SmartCentres is an excellent option to look into for your TFSA.

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