Dividend Investors: Add $350/Month in Tax-Free Income With This Stock

Description

If you're retired and need some extra cash or simply want a better way to make the most of your savings, a dividend stock is a good way to achieve that. Real estate investment trusts (REITs), in particular, can prove attractive options to generate income as their payouts are made on a monthly basis.

With plenty of recurring revenue, they can provide investors with some stability and predictability as well.

Slate Office REIT (TSX:SOT.UN) has about 7.5 million square feet of space with many properties in Canada and some in the U.S. as well.

What I like about its portfolio is that its assets are focused on the Toronto area where there are many head offices, which will mean significant demand for office space.

The REIT has a limited presence in Alberta and so for investors worried about that part of the country, Slate Office doesn't have much exposure there.

Stability is important for a dividend stock, and by having a good mix of assets and reliable tenants, Slate Office is able to also produce strong results for its shareholders.

Not only have Slate's sales not fallen below $33 million in any of the past four years, but revenues have also been growing and were up 38% last year.

That's definitely strong growth from a stock that you might not normally expect to see it in. As more properties are added into the portfolio and as rents increase, revenues do as well.

The dividend

As impressive as the revenues numbers are, they're probably not what investors are after when they invest in Slate; rather, it's the dividend.

Shareholders currently earn 3.33 cents every month from Slate, which amounts to a yield of about 6.8%. That's a pretty good payout — one that the company reduced earlier this year.

However, a cut to a dividend is not necessarily a negative as a company that reduces its payouts puts itself in a stronger financial position, which could mean it's in a better position to continue paying dividends.

Without the cut, Slate would have been paying a yield of over 12%, and it would have been unrealistic for investors to expect that to continue in any case. Although a yield near 7% is still a bit high, it's a lot more realistic.

At that rate, investors can generate some good income. Buying about $45,000 worth of shares in Slate would generate approximately $250 in dividend income. And if you do that all within a TFSA, it becomes tax-free income as well.

If you want to contribute more and max out your TFSA, the amount of dividends you earn every month could get to $350.

Bottom line

There are many options out there for investors to choose from when selecting a dividend. However, with Slate trading near its low for the year and below book value, it could be a great bargain pick up for investors seeking some quality, income-generating stocks to add to their portfolios.

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