



## TFSA Investors: 2 Cheap But Safe Dividend Stocks to Build a 7%-Yielding Income Stream

### Description

Chasing yield is a bad idea, but so too is subscribing to the arbitrary 4% rule of thumb when it comes to picking dividend stocks.

To put it frankly, the 4% rule encourages laziness on the part of the investor. In the world of investing, if you desire better results over time, you need to put in the homework. It's as simple as that.

While the 4% rule can save you from yourself, shunning stocks with yields north of 4% closes the door to many [bountiful opportunities](#) that wouldn't be "so risky" if proper due diligence is exercised prior to the time of a stock's purchase.

Here are two dividend stocks with [safe dividends](#) that, when combined, would average a 7% yield.

### Inovalis REIT

If more income investors knew of **Inovalis REIT** ([TSX:INO.UN](#)), its shares would likely be a heck of a lot higher than where it's at today. The name offers a very bountiful and, believe it or not, safe distribution payout that currently yields 8.2%.

The high yield and lower correlation to the broader markets ought to command a hefty premium multiple, but as a smaller-cap European-focused REIT, it's largely gone under the radar in spite of its massive distribution that's likely the safest play as far as +8% yielders are concerned.

What the REIT has in the distribution department, it lacks in terms of capital gains. Shares have fluctuated around a very flat uptrend line, virtually moving nowhere over the last five years.

Moving forward, the REIT is expected to expand its footprint across its European markets of interest, and that'll boost AFFO and, in turn, distribution growth over time. As more light is shed on the safe high yielder, I suspect a bit of multiple expansion, but nothing too meaningful over the nearer term.

## Brookfield Renewable Partners

Up next, we have one of my favourite sustainable energy plays in **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). Although the dividend yield has since shrunk as a result of the huge year-to-date rally, I'm still bullish on the name because the valuation remains depressed, the long-term prospects are compelling, and management is really as good as they come as far as growth in the renewable space is concerned.

Yes, BEP just hit an all-time high, but the 8.4 times EV/EBITDA is a valuation that's far too good to pass on. It's a quality player in a secular, strong industry with exceptional stewards running the show, all at an absurdly low price point. Oh, and there's the 5.9% yield, too.

What more could you ask for?

If you're looking to boost your income without increasing your portfolio's overall volatility, look no further than Brookfield Renewable.

Stay hungry. Stay Foolish.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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### Author

joefrenette

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