



TFSA Investors: Lock In This \$509/Month Passive-Income Stream Today

Description

One of the biggest revelations of my investing life was realizing it's possible to become a "[lazy landlord](#)".

The premise goes something like this: buying real estate is great. It delivers benefits like dependable income, a solid history of capital gains, and a relatively low correlation to the overall stock market.

There's just one problem: running a mini-empire of physical real estate is a headache. It's not passive income; all you really do is create part-time job for yourself. That's not exactly my cup of tea.

Buying a portfolio of REITs can offer similar returns without any of the extra effort. There's no yard work to do or toilets to fix. You're not chasing deadbeat tenants, either. And REITs have certain advantages built in, like easy diversification and access to professional management teams with years of training in the sector.

It's easy to see why there are thousands of Canadians choosing to go this route, with many building a TFSA stuffed with Canada's best real estate names. Here's how you can join them and create a passive-income stream worth more than \$500 each and every month.

Which REIT to choose?

There's a lot to like about **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)), one of Canada's largest and most diverse REITs.

The company owns a little bit of everything. Its portfolio spans over 41 million square feet and includes more than 10 million square feet of office space spread over 33 properties, 317 retail properties that include nearly 14 million square feet of space, nearly 10 million square feet of industrial space, and 24 residential properties in the United States, spanning nearly 9,000 units. H&R also has a 33% stake in Echo Realty, which owns retail buildings across the U.S.

H&R is really focusing its growth plans on the U.S. residential market. It's currently finishing up a large

development near New York City, and has projects being built in places like Miami, Long Beach, Austin, and Seattle. Together, the company plans to spend nearly US\$700 million on these development projects in the next 18-24 months.

One of the knocks against H&R was it has outsized exposure to the Calgary office market — a place no investor has wanted to be over the last five years since rents have dropped and vacancies have skyrocketed. Thanks to an emphasis on high-quality tenants, H&R has weathered the storm well. It still has 100% occupancy in downtown Calgary with its biggest lease in the city still having 19 years to completion.

Finally, the company's financials are strong. It boasts a debt-to-assets ratio of just 44% with more than \$3 billion in unencumbered assets. Despite this quality balance sheet, investors who buy today are getting a stock trading for approximately 10% under the company's net asset value.

Collect \$509/month

H&R pays a dividend of \$0.115 per share each and every month — a payout that the company has maintained for more than a decade now. The current yield is just over 6%.

Even with the firm spending aggressively on expansion plans, investors don't need to worry about the security of the payout. Its payout ratio thus far in 2019 is comfortably under 80% of funds from operations.

Say you've invested well and now hold a [\\$100,000 TFSA](#). If you put the whole account in H&R REIT, that would buy you 4,430 shares. This would be enough for a tax-free passive-income stream of \$509 each and every month.

Perhaps you don't have \$100,000 in your TFSA or you don't want to put all your eggs in one basket. That's fair. A better strategy might be to try to get a \$100 per month passive-income stream, which would require a \$20,000 investment in H&R REIT. That's much more doable.

The bottom line

A TFSA stuffed with great income-paying REITs like H&R will likely serve you pretty well come retirement time. If you consistently squirrel away cash each and every year for a few decades, you'll create an account with many different REITs all delivering gobs of sweet passive income. I can't picture a retirement much better than that.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

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Author

nelsonpsmith

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