Get $600 a Month in Passive TFSA Income From This Recession-Proof REIT

Description

Just because the probability of a recession has increased doesn't mean you should settle for meagre returns from "risk-free," fixed-income securities, which now possess absurdly low and unrewarding yields.

For rattled income investors who are looking to reduce their exposure to the equity markets, today's market can make one feel like they're between a rock and a hard place. Either you take the risks that inherently come with stocks, or you settle for "safe" bonds that'll struggle to outpace the rate of inflation.

Gone are the days of sky-high yields with zero risk. So, today's income investors are going to need to get creative to tilt the risk/reward trade-off in their favour.

Fortunately, there are asset classes out there that can offer investors a generous amount of income with a relatively low degree of volatility relative to the fragile stock market, which has been driven primarily by impossible-to-predict macro events. Enter REITs, an asset class that's favoured by retirees and risk-averse income investors alike for their massive yields and low betas.

While REITs tend to exhibit less volatility relative to your average stock, it's important to remember that REITs aren't risk-free assets as bonds are. In times of recession, all bets are off with the REITs, and the low betas during typical market environments usually become meaningless, as investors throw in the towel on real estate plays after liquidating their stocks.

In times of crisis, certain REITs could fall just as hard as stocks. So, it's vital to consider the defensive characteristics of the real estate sub-industry you're looking to invest in.

Migrating NorthWest for bigger and safer income

One real estate sub-industry that's more recession-proof than most is the defensive field of healthcare. Health property REITs like **NorthWest Health Properties REIT** (TSX:NWH.UN) have defensive characteristics and massive distributions (NorthWest has a 6.9% yield at the time of writing) to dampen downside as investor appetite for "risky" securities free falls in a market crash.

NorthWest has a stellar portfolio of health properties (hospitals, clinics, offices, etc.) across the globe that will continue to generate ample AFFOs, even if the global economy were to grind to a halt.

The demand for health services isn't dependent on the state of the economy, so as long as management avoids operational hiccups, the REIT should outperform most other stocks come the next downturn thanks to its stable cash flow stream that continues to grow.

Not only is NorthWest in a real estate sub-industry that enjoys secular tailwinds (ageing Baby Boomers and a soaring global population), management is serious about growing its property portfolio through various outlets such as M&A. Such growth initiatives will better support the massive distribution, which is already on sound footing, and allow the REIT to raise its distribution by a generous amount at some point down the road.

Foolish takeaway

NorthWest is one of the TSX index's best-kept secrets. It's a "growthy" income play with defensive characteristics, and the price of admission isn't too high. A 6.9% yield invested with a $100,000 TFSA comes out just shy of $600 per month of tax-free income, that'll be yours to collect, regardless of what the economy has in store.

So, if you're being kept up at night about rising geopolitical tensions, tune out and get paid in cash with a name as dependable and lowly correlated as NorthWest REIT.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/20
Date Created
2019/10/08
Author
joefrenette