Retirees: 2 Reliable REITs for Your TFSA

Description

It’s tough to be a retiree these days. The stock market has become ridiculously volatile, while the bond market continues to be horribly unrewarding.

Gone are the days where one could earn an adequate return on risk-free fixed-income securities. And with recession fears causing retirees to lose sleep, many retirees believe they have to settle for sub-par returns with a heavier weighting on bonds, cash, and cash equivalents.

Fortunately, for retirees seeking a way to combat volatility without sacrificing returns, there are the REITs. The REITs are vital to lowering a retiree’s correlation to the broader equity markets, and while they’re not immune to substantial downside in a financial crisis, they do tend to hold their own quite well otherwise with their sizeable distributions that serve to dampen volatility in one’s portfolio.

This piece will have a look at two low-beta REITs that are top candidates to form a foundation in one’s TFSA. Without further ado, consider the following:

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) is a terrific alternative investment for retirees who desire stock-like returns with a higher degree of stability.

If you’re worried about a recession, apartment REITs are among the best real estate sub-industry to be in, as people still need a place to live even when times become tough.

CAPREIT is also fortunate enough to be in two of the hottest rental markets on the planet, with properties within Vancouver and Toronto, both of which won’t form a supply-demand equilibrium anytime soon as property ownership is a pipe dream within both cities.

While the 2.5% distribution yield may be low, the main attraction of the REIT is the capital appreciation potential. With a mere 0.28 beta, CAPREIT is one of the best ways to lower your volatility without hurting your TFSA's growth.

Crombie REIT

Crombie REIT (TSX:CRR.UN) is another Steady Eddie REIT with a low beta (0.4 at the time of writing). The REIT owns and operates retail, office, and mixed-use properties, many of which are anchored by Safeway stores.

With around 24 property developments scheduled over the next decade and beyond, Crombie is well positioned to grow its AFFOs and distribution (currently yielding 5.6%) at an above-average rate.

Moreover, many of Crombie's newer developments are mixed-use properties, which could allow Crombie to command higher rents per unit area thanks to the symbiosis between retail and residential or office tenants.

Crombie's strategy of expanding into fast-growing metro areas will pay massive dividends over the long haul. As shares break out, now is as good a time as any to hop onboard one of the most robust mid-cap REITs on the **TSX**.

Foolish takeaway

As a retiree, you don't need to settle for sub-par returns with bonds and cash just so you can sleep at night. While you can't afford to take as much risk as you once did, you also can't afford to forego growth potential for your nest egg in retirement.

A retiree's greatest fear is running out of money in retirement, and given that nobody knows how long they'll live, it's vital to keep growing one's nest egg, even after breaking it open.

Fortunately, with reliable REITs like CAPREIT and Crombie, you'll be able to get the best of both worlds at a time when it's tough to do so with equities and bonds.

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TICKERS GLOBAL

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2. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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