



## TFSA Users: Get \$1,339/Year Payback on Your \$10,000 From This Dividend Stock

### Description

The main point of [dividend investing](#) is to generate higher returns over time. But the key to succeeding with this strategy is to have a dividend stock that pays a very high yield today and can sustain paying it well into the future.

That is the question dividend investors are asking about **American Hotel Income Properties** ([TSX:HOT.UN](#)), or AHIP. This \$501.5 million real estate investment trust (REIT) is among the highest-paying dividend stocks on the TSX. The 13.39% yield is inviting.

If you have \$10,000 and purchase AHIP within your TFSA, the stock can deliver an annual income of \$1,339. The payback can be more substantial, assuming you have five times more money to invest. Whatever amount you invest, it will double in fewer than five-and-a-half years.

However, the high annualized passive income is achievable only if AHIP, through the rental payments, can sustain the high distribution for a longer period.

### Shifting focus

Only recently, AHIP announced that it is letting go of its Economy Lodging portfolio to concentrate on the premium-branded hotel portfolio fully. The sale will net AHIP about US\$90 million. Likewise, the shift in focus makes a lot of sense.

AHIP can now move to acquire high-quality assets in key cities in the United States. Management believes too that AHIP can achieve its long-term objective via the higher end market.

What investor find concerning is the declining stock price. Three years ago, AHIP was trading at \$10.55. At this time in 2018, the price was \$7.23. As of this writing, AHIP is trading at \$6.42, which is the same price at the start of 2019.

## Confidence in the stock

If insider trading matters to you, there are interesting insider transactions in the last 12 months. Insiders were buying AHIP shares but not selling. One director even bought \$670,000 worth of shares.

Over the last three months, four more insiders purchased US\$377,000 worth of AHIP, and again, no shares were sold by any insider. High insider ownership is comforting to prospective investors. It implies that management has the best interest of shareholders in mind.

Also, the recent insider purchases should give you confidence in the stock. It tells a lot about management's expectations of a very bright future ahead. For now, cash flow is a bit tight due to the ongoing renovations.

But once the renovation program is complete and the sale of the budget segment is consummated, AHIP can pursue the acquisitions of key high-end assets.

## Possible rebound

AHIP is under financial pressure lately, although the situation is not entirely alarming. Its property improvement plan (PIP) is moving along as scheduled. Also, a host of projects will be completed soon at below budget.

A stock rebound is possible in 2020. Keep in mind that the experienced management team leading AHIP are proven hotel industry leaders themselves. With only the Premium Branded hotel portfolio, AHIP has a better focus on expanding and driving growth in the coming years.

From a TFSA user standpoint, you want AHIP to succeed because this REIT stock can deliver [an incredible payback](#) that no other dividend stocks can.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

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