



TFSA Investors: \$55,000 in This Dividend Stock Pays \$4,200/Year

Description

Even if you haven't yet opened a TFSA, you are eligible for its full contribution — a decent amount of \$63,500. You can contribute this amount today, and start building your wealth with compounding interests. The interest rates are not high enough for any substantial returns on this amount of money. But the right investment might.

That right investment can be **MCAN Mortgage** ([TSX:MKP](#)). Where even some of the best TFSA interests will result in a payout of no more than 2.5%, the company gives you a yearly yield of 7.67%. This yield means that even if you don't pour every last cent of your TFSA into this stock and put in \$55,000, you'll get more than \$4,200 a year — much more than the \$1,588 a year you can get as interest on your TFSA.

The company

MCAN Mortgage is a loan company. The company is classified as a mortgage investment company — a company that allows its investors indirect access to the mortgage industry. If you buy in the MCAN mortgage, you are capitalizing on the mortgage received by borrowers without being the lender or landowner yourself.

The primary purpose of creating such companies was to give mortgaging options to people who were rejected by conventional mortgages (i.e., banks). And even though it sounds risky to lend to people who were rejected by the banks, MCAN is a relatively stable company.

The company is shielded from the mortgage losses, since it only issues term deposits that fall under the Canada Deposit Insurance Corporation's deposit insurance. This huge safety net allows the company to operate in a strained property market.

Yield and other numbers

The dividend yield of the company is a monstrous 7.67%. The reason for such a high yield is that as a

Mortgage Investment Corporation, the company is obligated to pay out almost all of its earnings to the investors as regular dividends as well as capital gain dividends.

The company increased its revenue by almost 30% and quarterly earnings by 32% since last year. With a beta of 0.88, the company also looks stable and will follow the usual market trends for the most part. The profitability of the company is very high, with the profit margin and operating margin both around 60%.

Dividend payouts and market value

The company has a history of increasing dividend payouts, [except this year](#). Still, the yield is enormous. If the housing market settles down, and fewer borrowers default on their mortgages, the company is expected to increase its dividend payouts.

As of now, the company is trading at \$16.71 per share — yearly growth of almost 20%. Yet, according to some analysts, the company is trading way below its intrinsic value. It might be time to load up on this high-yield stock when it's cheap.

Foolish takeaway

Mortgage investment corporations have traditionally been considered very risky investments; they are indeed. But the reward is handsome. If MCAP keeps up this yield, you will get your initial \$55,000 back just 13 years. This yield combined with the growth of the company's market value, has the potential of turning your TFSA into a very [handsome sum in the long run](#).

If you are willing to take a risk in the hope of high return, MCAP mortgage should be on your radar.

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Author

adamothonman

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