



## TFSA Investors: \$69,500 in This Stock Pays \$4,660 Per Year

### Description

2020 is upon us, which means it's the most exciting time of the year. That's right; it's time to contribute to your TFSA.

Okay, maybe we have different definitions of exciting.

Still, it's important to make those contributions, whether you're just adding to an already healthy TFSA or are ready to put some serious money to work. The sooner that capital gets invested, the sooner it starts earning returns for your future self.

Personally, I have one major goal for my TFSA. I want to turn it into a [tax-free income machine](#) — something that generates enough income to fund all my retirement goals. I'm laying the groundwork now by buying what I view as great dividend payers with solid growth potential.

Let's take a closer look at one of those stocks — a REIT that can add some serious passive income to your TFSA.

### The skinny

**Northwest Healthcare Properties REIT** ([TSX:NWH.UN](#)) is a major owner of healthcare-related real estate around the world. The portfolio — which includes 149 different properties and more than 10 million square feet of gross leasable area — has exposure to assets like medical office buildings in Canada, hospitals in Brazil, clinics in Germany, and retirement living and long-term care assets in Australia and New Zealand.

The company has embraced an interesting expansion strategy in Australia and New Zealand, partnering with institutional investors there. It takes a minority holding in joint projects, as these larger investors supply the majority of the capital. Northwest then manages the portfolio, collecting fees while protecting its ownership interest.

Not only has Northwest negotiated a new \$1.8 billion partnership with institutional investors in Australia

— with Northwest's ownership of these assets pegged at the 25-30% range — but the company also has some \$400 million worth of new developments on the go. It also continues to acquire new assets. All of these should combine to help the bottom line in 2020-21.

Something else that should drive earnings growth over the short term is the firm's ability to refinance some of its most expensive debt. For instance, it recently converted debt against one of its Brazilian hospitals from an interest rate of 7.84% to 3.88%. Australian debt was also just refinanced at a lower rate. These savings go right to the bottom line, too.

Another nice thing about healthcare real estate is demand is usually quite steady, no matter what's happening with the underlying economy. This translates into a solid occupancy rate, currently at 97.1% for Northwest. After all, when was the last time you saw a vacant hospital?

Finally, Northwest shares trade at a reasonable valuation, with the current stock price just a hair under the company's net asset value. The stock trades at under 14 times adjusted funds from operations, which is surprisingly cheap considering the company's growth potential.

## Get paid

Like most REITs, Northwest Healthcare Properties pays out most of its earnings back to shareholders. The current payout is \$0.067 per share each month, which translates into a 6.7% yield.

The current payout ratio is 85% of adjusted funds from operations, which is about standard for the sector. Earnings should increase this year, which should push the payout ratio down to the 80% range. This is a dividend you can count on.

Say you invested your entire TFSA contribution room in this stock, which would be \$69,500 as long as you turned 18 before 2009. That investment alone would be enough to generate \$4,660 per year, which translates into nearly \$400 per month in [passive income](#). That's some serious cash right there.

## The bottom line

Now that the new year is upon us, it's a great time to contribute to your TFSA and start thinking about the future. I'm confident that an investment in Northwest Healthcare Properties REIT will be a smart decision, as it generates gobs of passive income — and capital gains potential — for decades to come.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

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

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