



TFSA Investors: Lock in a \$150/Month Passive Income Stream Right Now

Description

A Tax-Free Savings Account (TFSA) is a great way to accumulate growth and build your wealth over the years. As all your gains and returns are tax free, you can really accomplish significant results, especially if you choose the right stocks. But that's not the only use for a TFSA. Many people use their savings to create a passive income stream from which the CRA will not drink.

Given that TFSA is both a great vehicle for harnessing the power of compounding and a source of tax-free income, it's a good idea to divide it into pieces.

Choose some stocks to grow your wealth and to create a monthly passive income. To that end, one good stock that you might want to consider is **Plaza REIT** ([TSX:PLZ.UN](https://www.scribd.com/document/444444444/Plaza-REIT-TSX-PLZ-UN)).

The company

Plaza REIT is a 21-year-old company that focuses on retail real estate. The company has grown its portfolio to impressive proportions over the years, and it now owns over \$1 billion worth of assets. It consists of 275 properties, in addition to 28 under development, covering an area of just under 10 million square feet.

There is diversity among the retail properties. The single most consolidated sector is pharmacy and medical, which generates 30.8% of the company's total revenue. Other prominent tenants are KFC, Dollarama, Canadian Tires, and Sobeys. Over 90% of the company's gross rent comes from national retailers.

The stock

[Plaza REIT is currently](#) trading at \$4.65 per share, which has fluctuated around the magical number of \$4.5 in the past five years. While the growth of the stock might not be very impressive, its stability certainly is — a fact that's augmented by a low beta of 0.48.

The company managed to grow its year-over-year quarterly earnings by 45.8% this quarter, and its current operating margin is 56.24%, while the return on equity is a bit low at 9.56%.

The dividends

The company is a Dividend Aristocrat. It increased its payouts for 17 consecutive years and is currently offering a \$0.28 dividend per share, which translates to a juicy yield of 6.11%.

That appears to be very sustainable at the moment, as it's relying on the payout ratio of 64.8%, a low number for a REIT. This might reflect the company's growth-oriented strategies.

Part of your fully stocked TFSA — \$30,000 in Plaza REIT — will earn you about \$152 a month in tax-free income, which will at least cover part of the monthly bills and take some strain off of your primary income source.

Foolish takeaway

[REITs usually offer](#) a high yield, and if we compare it to some other high-yielding stocks in the sector, Plaza REIT might come up a bit short. But there are other reasons to consider this stock as well.

The company has a very sustainable property portfolio, and the bulk of the retailers are relatively recession-resistant businesses. So the rent-based income, cash flow of the company and consequently your dividends could well remain consistent (and hopefully grow) for many years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:PLZ.UN (Plaza Retail REIT)

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