



TFSA Investors: These 3 +6% Yielders Pay Tax-Free, Monthly Dividends

Description

Many investors have a simple plan for retirement. They hope to build a ample TFSA stuffed with stocks that pay monthly dividends. After all, such a strategy meshes really well with having to pay monthly bills.

Another big advantage to building a TFSA filled with monthly dividends is, such an income stream is tax free. If you start such a strategy today and keep at it for a couple of decades, you're easily looking at easily \$1,000 or \$2,000 per month in dividends by the time you retire. That might not be enough for a middle-class retirement on its own, but it's certainly a good start.

If this strategy appeals to you, the only thing left to do is consider which stocks to stuff in the portfolio. I have three good choices today — companies that are offering succulent monthly dividends thanks to the [recent market selloff](#). Let's take a closer look.

RioCan REIT

RioCan REIT ([TSX:REI.UN](#)) is one of Canada's largest owners of retail property. The portfolio today spans some 220 different properties and more than 38 million square feet of gross leasable space. After selling some non-core assets, nearly all of the company's portfolio is located in Canada's six largest markets, with 50% of assets in the Toronto area.

RioCan is busy developing new property. It has nearly 15 million square feet of developments in various stages of planning, including assets like retail property in Calgary, mixed-use property in Ottawa, and various developments in Toronto that will include retail, office, and apartments. Expect these projects to really start adding to the bottom line in 2020 and 2021.

Despite spending a tonne of cash on these new developments, RioCan's monthly dividends should continue without a hitch. The current market selloff has pushed the yield up to an impressive 6.5%, and the payout ratio continues to drop, as the company adds to the bottom line. Lower interest rates should also help the security of the payout as well.

Extendicare

Extendicare ([TSX:EXE](#)) is one of Canada's leading long-term care providers with a portfolio of 58 properties across Canada. It also owns retirement residences and a large home healthcare business as well as manages other properties for third parties. Together, it adds up to a solid portfolio that should remain pretty [recession resistant](#). Most of its revenue comes from the government.

So, why exactly are shares down 25% in the last three months?

COVID-19 has been an issue, of course. The virus has threatened the company's usually steady occupancy rate. Weakness in the home health and retirement residences markets haven't helped either. Ultimately, however, this business hasn't experienced any long-term impact. Selling is caused by uneasy investors pulling cash out of everything.

This is great news for investors looking to add some monthly dividends on the cheap. Extendicare pays a \$0.04 monthly payout; that works out to a 7.5% yield today. The payout ratio, meanwhile, is still comfortably below 80%. Extendicare is one of the more secure monthly dividends you'll find in today's market.

First National

First National Financial ([TSX:FN](#)) is Canada's largest non-bank mortgage provider. It works exclusively with mortgage brokers, essentially acting as a middle man for mortgage brokers and institutional investors who want exposure to the mortgage market. It then services these loans for investors, earning attractive fees in the process.

The company has quietly amassed more than \$110 billion worth of mortgages under administration, with very few actually on the balance sheet. It's an excellent asset-lite business model that could be kicked into high gear if nervous stock investors continue to pull their cash out of the market and into real estate.

First National has another thing going for it. Top execs and board members own 71% of outstanding shares, with CEO Stephen Smith and Executive Vice President Moray Tawse leading the way. They own more than half the company themselves.

Finally, First National pays one of Canada's top monthly dividends. The current yield is 6.6% and the payout ratio is 67% of trailing earnings.

The bottom line

This is a glorious opportunity to add some of Canada's best monthly dividends to your TFSA, securing a fantastic yield on stocks that will pay you for decades to come. What will you do with all that tax-free income?

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. TSX:EXE (Extendicare Inc.)
2. TSX:FN (First National Financial Corporation)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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