Market Rally: Make Big Income Forever!

Description

The market rally followed by a flash market crash may be a cue to buy big dividend stocks before the prices run away from you. Right now, you can still buy bargains for massive passive dividend income.

Essentially, you can buy dividend stocks in this market rally and earn big dividend income forever.

Here are some discounted dividend stocks that I'd consider if I didn't have positions in them already.

Market rally: Bank stocks to buy

Some investors are willing to bet their money in high-risk oil and gas producers in the hopes of tripling their money in this market rally.

Canadian Western Bank (TSX:CWB) is a much lower risk investment than oil and gas producers. However, it is still meaningfully impacted by the boom and bust of the energy sector, as it has about a third of its loans from resource-rich Alberta.

So, if the energy sector were to improve, it'd be a tailwind for the bank. However, if the sector remains depressed, it wouldn't be devastating for the stable bank either.

Canadian Western Bank is an even more robust dividend stock than its bigger counterparts. The bank is a Dividend Aristocrat with 28 consecutive years of dividend increases. The big banks have at most 10, which makes Canadian Western Bank one of the top five **TSX** dividend growth stocks to own!

At writing, the bank trades at $21 and change per share and offers a safe dividend backed by a 37% payout ratio.

Despite the market rally however, the bank stock is still very cheap, with a price-to-earnings ratio of about 6.9. In a few years, it can trade at a multiple of about 11-13 for 70-100% upside. All the while, investors will receive a nice 5.4% yield. Plus, its dividend is likely to increase.

Another bank with greater exposure to resource regions is **BNS** stock. It offers a 6.5% yield and upside potential of about 60% over the next three years.

Market rally: REITs still a buy for big passive income

In this market rally, real estate investment trusts (REITs) are another area for high income. You'll find excellent value in **H&R REIT** (TSX:HR.UN) and **Brookfield Property** (TSX:BPY.UN)(NASDAQ:BPY). The stocks yield 14% at writing and on sale for 50% off!

H&R REIT is a diversified company with retail, office, residential, and industrial assets. Brookfield Property is a little heavy in office and retail assets.

BPY has about 85% of its balance sheet in these core assets. However, it also has about 15% of its portfolio in higher-return real estate investments in the office, retail, multifamily, logistics, hospitality, triple net lease, self-storage, student housing, and manufactured housing sectors.

Both companies are conservatively run and have strong financial positions. Thus, they can weather this economic downturn and are strong buys before the market rallies further. Even if their cash distributions get cut in half temporarily, buyers today will still get yields of 7%. That's getting the average market returns of 7% right from their cash distributions!

Moreover, the stocks can double from current levels as the economy normalizes. Under a normal market, these REITs will be paying a 14% yield. Investing $69,500 in the stocks in a TFSA will yield a big passive income of $9,730 a year.

Investors can then choose to use that tax-free passive income to pay the utility bills, or to reinvest for more tax-free income and growth.

The Foolish takeaway

Investors don't have to catch the bottom before the market rally to make great returns from investments. Many stocks are still trading at very cheap levels.

Now is still an excellent time to lock in safe, high yields from attractive dividend stocks, including Canadian Western Bank, BNS stock, H&R REIT, and Brookfield Property.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:CWB (Canadian Western Bank)
3. TSX:HR.UN (H&R Real Estate Investment Trust)

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