TFSA Users: $10,000 in This 10.3% Dividend Stock Pays $1,030/Year

Description

Tax-Free Savings Account (TFSA) users who want to rotate their capital out of low- or no-yield securities and into high-yield dividend stocks should feel no shame doing so amid the coronavirus pandemic.

Money is tight these days, and if you've got a sizeable nest egg within your TFSA, you have a lifeline that will last a heck of a lot longer than Canada Revenue Agency (CRA) payments such as the Canada Emergency Relief Benefit (CERB), which, while recently extended, will eventually end for eligible Canadians whether or not their employment returns.

Seek out high-yield dividends — not TFSA principal

While it may be tempting to spend the entirety of your TFSA nest egg, cracking it open and spending the principal itself, it's wiser to look to some of the more intriguing income plays that have fallen out of favour in this market.

The yield bar has been raised, and many income investors now have an opportunity to pay less and get more with misunderstood dividend stocks.

Although many income investors and income-dependent TFSA users are being hit with dividend (and distribution) reductions from left, right, and centre, plenty of resilient firms can keep their now lofty yields intact for the duration of this pandemic.

A 10.3% yield dividend that's not as risky as it looks!

Consider shares of misunderstood real estate mid-cap **Inovalis REIT** (TSX:INO.UN), a high-income REIT that currently sports a whopping 10.3% yield.

While the yield may appear too large to handle and that a distribution reduction is imminent, consider the fact that coronavirus-related disruptions have been minimal for Inovalis relative to most other

REITs experiencing unprecedented interruptions to incoming cash flows.

As a European-focused office REIT, Inovalis still stands to take a hit as workers opt to continue working from home to avoid contracting the potentially deadly COVID-19. But with a lack of exposure to some of the uglier real estate sub-industries (retail and residential), Inovalis sports a far better-covered distribution that most would initially expect.

In May, Inovalis's management team stated that it was experiencing "near-normal rent collection" for Q2 2020. That's unbelievable that given many other REITs are still chasing their tenants for rent owed while working out deferrals and other payment programs.

TFSA users: European office culture is far different

Moreover, given that Inovalis houses firms within some of the most sought-after locations within France and Germany. The office culture in a place like France and Germany are profoundly different from what we're used to in Canada or the U.S.

While most would expect permanent global office space demand destruction as a result of the COVID-19 pandemic and the rise of working from home, major cities in Europe are more likely to witness a quicker reversion to the mean demand levels once this pandemic subsides.

Inovalis REIT is indeed a weird income play. It's Euro-focused and tends to sport a mean yield of around 8% when shares at around their all-time highs. The super-high-yield of Inovalis is by design, and while today's 10.3% yield dividend may look unsustainable, it's actually *more* sustainable than the dividends of many other firms that sport yields much lower.

Foolish takeaway

If you're a TFSA user looking to gain an income edge, look no further than the 10.3% yield dividend of Inovalis, which is about as safe as double-digit yields come.

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