TFSA Investors: Get $366 a Month in Passive Income From This Reliable REIT

Description

The Tax-Free Savings Account (TFSA) is a registered Canadian account introduced back in 2009. If you were eligible to contribute to the TFSA since its inception, your total contribution room will be $69,500. So, if you have not been contributing towards your TFSA and are ready to start doing so, you can look to invest the sum of $69,500 and generate a stable stream of recurring tax-free income.

The TFSA is popular among Canadians, as any withdrawals in the form of capital gains or dividends are exempt from Canada Revenue Agency (CRA) taxes. Let's see how you can generate close to $4,400 a year in tax-free dividends by investing in REITs such as **Chartwell Retirement Residences** (TSX:CSH.UN).

Chartwell Retirement has a dividend yield of 6.3%

Chartwell Retirement Residences is an open-ended REIT that owns and operates a portfolio of senior housing communities. This includes independent and supported living as well as assisted living and long-term care communities. Chartwell is the largest Canadian operator in the senior living sector with over 200 retirement communities in four provinces.

Similar to most other stocks, Chartwell too has lost significant market value this year. Its shares are trading at $9.69 which is 39% below its 52-week high. However, the recent pullback has increased dividend yield to a tasty 6.32%.

This means if you invest $69,500 in Chartwell stock, you can generate close to $4,400 in annual dividend payments, indicating a monthly payment of $366.

Chartwell pays a monthly dividend of $0.051 per share and was one of the few REITs to increase its dividends in the first quarter, albeit by a marginal 2%. Its dividends have increased by 11% since 2015 and are up 25% since 2010.

Over 90% of properties in retirement home category

Around 90% of Chartwell's properties are retirement care homes while the rest are long-term care. Retirement homes are generally private residences and do not depend on government funding. Chartwell has enough secular tailwinds to attract long-term investors.

While it will be impacted by the ongoing pandemic due to lockdowns and lower leasing activity Chartwell has enough runway for growth in the upcoming decade. According to Fool contributor Robin Brown, "Canada has a wave of baby boomers retiring, selling their homes, and moving into retirement apartments with lifestyle and health amenities."

There are approximately 425,000 retirement suites in the country and according to Chartwell, Canada needs another 175,000 suites to fulfill demand. Chartwell has 800 suites under development with an option to acquire 2,206 suites via a development agreement.

At the end of Q1, Chartwell had 26,111 retirement suites and 3,683 long-term suites in operation. Chartwell continues to focus on the development of new properties and acquisitions to fuel its top-line growth.

In 2019, it added 748 new suites to its portfolio and ended the year with another 350 suites under development. It also acquired remaining interests in two retirement residences in Ontario totaling 249 suites and built a robust pipeline of future acquisition opportunities.

We can see why Chartwell remains a top REIT for your portfolio given its growth strategy and attractive dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)

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Date
2025/07/17
Date Created
2020/07/24
Author
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