Two Perfect TFSA Investments With Yields of Over 10%

Description

I was never a huge fan of REITs until recently. Low interest rates drove real estate prices sky high over the course of the past few years. As such, real estate-related companies started to seem very expensive. They were at risk of a massive downward move. These companies are now perfectly priced to capture their distributions tax-free within a Tax-Free Savings Account (TFSA).

Now that the move occurred, many stocks are beginning to look very cheap. This fact is especially true for stocks that are focused on residential or office properties. The work-from-home mentality is so strong with investors that they are not seeing the value potential of these REITs at lower levels. The stocks are cheap, the properties are still valuable, and the yields are fantastic.

The REITs

The two REITs that will appeal most to contrarian investors are **Brookfield Property Partners LP** (TSX:BPY.UN)(NASDAQ:BPY) and **RioCan REIT** (TSX:REI.UN). The REITs' portfolios are fairly diversified across Canada as well as internationally. Both companies are mainly focused on buying properties in large urban areas so their real estates have a good chance of retaining their value over time.

Yields

At the moment, BPY and RioCan are situated with excellent current yields. While the yields came down a bit as the unit prices recovered, they are still sitting at very high levels. In the case of RioCan, the yield is about 9% at the current market price. For Brookfield, the yield is a bit higher at 11%.

RioCan is not known for raising its yield in recent years, but the current yield is attractive enough. BPY, on the other hand, does regularly raise its distribution payout. It has a targeted rate of 5-8% hikes each year. We will have to see if it happens again next year when the economic situation is taken into account. It did raise its payout by 5% in February, so the company still has time.

Vote of confidence from the companies

A final note I like to mention is that both BPY and RioCan received a vote of confidence from on high. In the case of RioCan, it came from the CEO who stated that the yield is certainly safe. This is excellent news for people looking to keep that 9% monthly yield as a means of cash flow.

For Brookfield it came in the form of the parent company, **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM) deciding to purchase shares of BPY. BAM is a value-focused asset manager, so the fact that it decided to purchase outstanding units of the company is a vote of confidence.

The bottom line

Putting both of these stocks into your TFSA will allow you to benefit from the power of extreme compounding. With an average yield of around 10%, the tax-advantaged account will retain all of the income from those stocks. You will then have the choice to either reinvest the money back into these REITs or put it into other investments you may find more attractive at the time.

In either case, earning 10% per year is a great way to build your portfolio over the coming decades. Make sure you buy these stocks in a TFSA, however, as the distributions are more heavily taxed than dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:BPY.UN (Brookfield Property Partners)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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krisknutson