1 Safe High-Yield Dividend Stock to Buy for a Market Crash

Description

When a market crash hits, a declining portfolio valuation isn't the only problem most investors face. Several investors, who depend (partially or fully) on their investment income for their regular expenses, don't have a strong enough dividend-stock portfolio to generate income. They have to resort to systematically selling their shares to generate cash.

This becomes a dangerous method during a market crash. You have to sell your stocks at a loss (if their valuation has taken a dip), and you have to sell more of them to acquire the amount you need, which means you are depleting your portfolio at a much higher rate.

Fortunately, there *is* an easy way out. If you have sufficient cash reserves, buying a safe, high-yield dividend stock that can sustain its dividends during a market crash can beef up your stock-based income. So you will rely less on the stocks you have to sell, preserving your stake.

One such stock might be **Inovalis** (TSX:INO.UN). The Europe-focused real estate giant is offering a juicy double-digit yield.

The company

Inovalis has always been unique, thanks to its Europe-focused portfolio. Many other REITs have properties or stakes in the continent, but the asset class is usually different (warehouses, logistics, etc.). Inovalis has office properties in France and Germany only (for now), but the company may look into other local ventures.

Office-based real estate companies have taken a hit during this pandemic. Inovalis also saw its net income plunging to the "loss territory." But the revenue and operating-income didn't take that much of a hit, at least compared to the last quarter. The balance sheet is still strong, and the company hasn't slashed its dividends yet.

The dividends

Inovalis is currently offering a very juicy yield of 10.7%, but it's not that rare for REITs nowadays, since many of them have been trading at a low price. What is rare, though, is a relatively safe payout ratio. Inovalis's payout ratio of 40.7% seems very stable right now. As Europe recovers from the second wave, the stock might see some life as well.

The 10.7% yield is quite sizeable. If you invest about $30,000 in the company and put it in your Tax-Free Savings Account (TFSA), you will get about $267 a month. That's enough to cover some small expenses. And if it prevents you from selling your shares in other companies from cheap, that's a boon for your portfolio.

Foolish takeaway

Locking in a high-yield, especially one that's sustainable, isn't just a temporary solution against a market crash. It can be a powerful long-term strategy. If you don't need the dividends as cash, a sizeable payout can help beef up your cash reserves. Or you can reinvest the dividends in the company if you are hopeful about its prospects a few decades from now.

Your stake will keep increasing, and so will your payout. And when you actually do need to rely on your dividend income, the company can be a valuable ally.

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