Give Yourself a Raise With This 1 High-Yield Dividend Stock

Description

Investments are often compared to interests and compounding, especially in the context of long-term holdings, but it's not really a fair comparison. Stocks don't always behave the same way, and if investor sentiment around a stock shifts drastically, that alone might be enough to knock a stock off its consistent growth streak.

But if you have diversified, invested in fundamentally strong companies, and you are not shaken by market fluctuations. Long-term investments (even with the inherent risk and losses) might yield substantially better returns than bonds or interest.

I bring this up because there are two practical ways to start an actual dividend income or have dividends substitute for a sizeable portion of your income. One is to invest a very significant amount in high-yielding stocks (hundreds of thousands). Second, invest a few thousand dollars into a dividend stock, put it on dividend reinvestment mode, and wait.

In a couple of decades, then your stake may grow big enough that you may start earning a decent dividend income. But if your plan is just to give yourself a raise and add a little cherry on top of the ice cream that is your income, you can start receiving a modest amount by investing in a high-yield stock right away.

The stock

Currently, the market is full of high-yield dividend stocks, but it's difficult to say whether or not the companies would sustain those high payouts. But that's the risk you might have to take to lock in a fantastic yield like what **SmartCentres REIT** (TSX:SRU.UN) is offering right now. Even though REITs are typically generous regarding yields, 8.76% from SmartCentres is still amazingly high.

We can't chalk that up to the company's generosity. The yield is the result of the stock's brutal decimation. SmartCentre stock fell over 54% during the crash, and it has barely recovered from that. The company is still trading at a price of about 35% down from its 2020 high. And with the discount tag comes the complimentary, awesome yield.

Is the yield sustainable?

If we base this assumption on the payout ratio alone than it's definitely not sustainable. The current payout ratio stands at about 288%, which is dangerously high. But if we consider the second-quarter results, the situation isn't that bleak. The company reported a hefty net income and comprehensive income loss, but the rental income didn't change much from the second quarter last year ($6.4 million difference).

The main culprit here is the fair value adjustment. And if the company managed to pull most of the rental income even when going through one of the worst quarters in recent history, the chances are that the numbers would improve for the third quarter and so on. With dependable tenants like Walmart, SmartCentres dividends seem relatively safe.

Foolish takeaway

With an 8.76% yield, even if you invest less than one-third of your Tax-Free Savings Account (TFSA) into this stock ($20,000), you will get a yearly payout of $1,752 or a monthly dividend income of $146. While it's not sizeable enough to be considered a true passive income, it's still a decent amount and can help you take care of a few regular expenses. That's enough of a raise.

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