2 Big Dividend Stocks You Can Buy With $500

Description

The stock market has recovered swiftly from the March market crash, but there are still pockets of the market that are great buys. Thanks to the advent of discount brokers, you don't need a whole lot to get started on your financial independence journey.

Here are some discounted big dividend stocks you can buy today with $500.

Enbridge stock yields 8.4%

Energy infrastructure stocks are very out of favour right now. The massive discount in **Enbridge** (TSX:ENB)(NYSE:ENB), the leader in the space, won't last forever.

The stock is down about 26% year to date. However, management reiterated the guidance for stable distributable cash flow, which is what it uses to pay out its rich dividend.

Specifically, Enbridge expects its payout ratio to be sustainable at about 70% this year, which will keep its big dividend safe. Its yield stands at about 8.4% at writing.

A $500 investment would generate roughly $42 of annual income. The Canadian Dividend Aristocrat has increased its dividend for 24 consecutive years. It's likely to continue that trend and increase its dividend at a faster rate than inflation, thereby maintaining shareholders' purchasing power.

Since the stock is undervalued, buyers of the stock today will pocket predictable passive income while enjoying promising price appreciation in the long run.

When the macro environment normalizes after the pandemic passes, Enbridge stock can easily trade in the $50-per-share range for upside of at least 30%.

SmartCentres REIT yields 8.7%

The retail real estate sector has been hit by forced, temporary closures of retailers to reduce the spread of the pandemic. The pandemic pressure is weighing on **SmartCentres REIT** (TSX:SRU.UN) stock, which is still close to 32% lower year to date.

Notably, the stock has already partially recovered from the March market crash low and has been consolidating at about $21 per share.

SmartCentres REIT's portfolio of retail properties is located in prime locations, which have lots of mixed-use development potential. In the long run, its real estate assets tend to generate reliable recurring rental income that's valuable to unitholders in the form of juicy monthly cash distributions.

It has more than 256 projects in its mixed-use development pipeline, including more than 196 that will provide recurring income.

Importantly, SmartCentres REIT's gross rent collection has steadily improved from the 75% range in April and May, as its retail space became largely open thanks to having 98% of revenue coming from open-air centres. (Consumers worry about the higher virus spread potential in enclosed malls.)

SmartCentres's strength is highlighted by an industry-leading occupancy rate of 97.8% and a generation of more than 25% of revenues from **Walmart** that serves as an anchor for 73% of its locations.

While some REITs were forced to cut their cash distributions this year, SmartCentres has defended its payout. The REIT also tends to increase its cash distribution when it can — it's increased its cash distribution by roughly the pace of inflation between 2015 and 2019.

A $500 investment in SmartCentres would generate income of about $43 per year. On normalization of the operating environment, SmartCentres REIT can trade in the $28-per-unit range for upside of more than 30%.

The Foolish takeaway

Investors today enjoy trading fees that are a fraction of what they were back in the olden days. Consequently, you don't need a lot of money to start investing for your financial future. By investing in discounted big dividend stocks like Enbridge and SmartCentres, you can get the passive-income machine going. The price appreciation will come in time.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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