Passive Income: A 2-Dividend-Stock Starter Pack for Beginner Investors

Description

Beginner investors looking to build their own passive-income stream are in luck, as many of the higher-yielding dividend stocks remain off considerably from their all-time highs.

Despite their relatively safe and ever-improving macro outlook, some yields remain skewed on the higher end of the historical range. Across some of the harder-hit areas of the REIT scene, yields are still on the higher end, allowing passive-income investors a shot to lock in a slightly above-average yield alongside a shot at potentially outsized gains as the economy continues reopening.

In this piece, I've narrowed it down to a high-yield REIT and a top dividend grower with a respectable upfront yield. Without further ado, consider the following:

Inovalis REIT

Inovalis REIT (TSX:INO.UN) is a European office REIT with a monster yield that looks riskier than it is.

Yes, Inovalis is an office REIT, and there are fewer places that are less appealing than office space these days. The work-from-home (or hybrid work-from-anywhere) model isn't going away anytime soon. In fact, some folks, including Bill Gates, think the demand for office space could take a permanent hit as a result of this pandemic. There's no denying such demand destruction. However, I believe that any modest reversion in mean demand for office space is enough to propel Inovalis stock towards or perhaps even above its pre-pandemic highs.

Shares boast a towering 8.23% dividend yield, which, believe it or not, is by design. The payout is relatively safe, and as rent normalizes further, expect the degree of security on the dividend to improve further. You won't get much in the way of capital gains after the recent rally, but you will get passive income to fund a bountiful income stream. For beginners looking to get a raise, that's the most you could ask for!

CN Rail

CN Rail (TSX:CNR)(NYSE:CNI) has one of the widest moats on the planet. And it's about to become even bigger once the **Kansas City Southern** deal goes through.

With track that goes from the southern U.S. into Mexico, CN Rail will have a sky-high moat surrounding cross-border North American freight traffic. The price paid to get KSU's assets is undoubtedly high at around US$34 billion. But did the deal warrant a vicious correction on CNR stock? Given the favourable macro backdrop and the fact that the CN-KSU deal could be the last major rail deal on the continent, I'd argue not.

With CNR stock stuck in limbo, I'd look to load up before the name has a chance to bounce back in the early innings of the Roaring '20s. CN Rail is one of those wonderful businesses that should be bought anytime the price takes a dip. The 1.9% yield may not seem like much, but only when you consider the long-term dividend-growth potential does the power of CN's dividend become apparent.

Bottom line for passive-income hunters

So, whether you're in the market for an upfront yield north of 8%, or above-average dividend growth for the extremely long term, passive-income investors should look to put money to work before the market really has a chance to roar higher on the back of this new bull market.

Inovalis and CN are both top picks, but if I had to choose one, I'd go with CN, because it's one of the bluest blue-chip dividend growers on the planet, and it seldom goes on sale.

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2. TSX:CNR (Canadian National Railway Company)
3. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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