



Passive Income: Earn 5.79% Per Year the Easy Way

Description

TSX companies get funding support when the investing public buys their shares. The established or matured ones reciprocate by sharing a portion of their profits through dividends. Investors can then create passive income the easy way.

Besides the recurring income stream, you derive capital gains when the stock appreciates. If the price drops, the dividends serve as a financial cushion. You can even reinvest the dividends and not collect them for dividend growth compounding. Moreover, there is [capital preservation](#) when you don't touch the principal.

The **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **True North Commercial** ([TSX:TNT.UN](#)) are excellent prospects for dividend investors. Canada's second-largest bank has more than 160 years of dividend track record, while the real estate investment trust (REIT) boasts a solid tenant profile.

If you own shares of both, you will earn 5.79% annually. A \$25,000 investment in each will produce \$2,895 in passive income. [Dividend investing](#) is less tedious. You sit and receive regular income streams.

A cut above the rest

TD is a blue-chip asset, and therefore, a cut above the rest. The \$158.36 billion bank started paying dividends in 1857. You can buy TD (\$87.01 per share) today and never sell again. The dividend yield is 3.63%, while the payout ratio is less than 40%.

The bank has shown brightest during the 2008-2009 financial crisis. It was the only company that reported top and bottom lines growth amid the financial meltdown. In 2020-2021, its lower risk profile was evident again. Current TD investors enjoy a 25.74% year-to-date gain, while the trailing one-year price return is 44.01%.

TD has a broad geographic footprint, with dominance in North America's retail banking industry. Likewise, the bank's strategy is anchored on a proven business model, says TD Bank Group's Group

President and CEO Bharat Masrani. In Q3 fiscal 2021, the U.S. retail net income rose 95% compared to Q3 fiscal 2020.

Thus far, after three quarters, TD's net income reached \$10.5 billion or a 55% versus the same period in fiscal 2020. It also gained scaled expertise in equipment leasing and finance following the acquisition of Wells Fargo's Canadian Direct Equipment Finance business.

Cash cow

True North is a pure dividend play. At \$7.44 per share, the \$652 million REIT pays a super-high 7.98% dividend. This real estate stock is a [cash cow](#) if you can instant it to your disposable income. Also, any investment amount will double in nine years. Performance-wise, the stock displays stability thus far this year with its 24.65% year-to-date gain.

The REIT's primary strategy is to expand and pursue its urban growth strategy. Its high-quality tenant base is a competitive advantage. True North derives 76% of total revenues from government and credit-rated tenants. Canada's federal government and four provincial governments are anchor tenants in some of the 45 leased properties.

In the six months ended June 30, 2021, the occupancy rate is a high of 97%, while the weighted average lease term is 4.7 years. While revenue and net operating income (NOI) declined 1% versus the same period in 2020, it still indicates stability.

Reduce overall risk

The stock market is not without risks because prices rise and fall. However, with dividend stocks, you can reduce the overall risk. For example, TD and True North's payouts can compensate for the drop in the investment value when their share prices decline.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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