Passive Income: Earn $3.5/Day With This 1 Stock

Description

Dividend stocks allow you to start a truly passive, hands-off income. And if you choose the right/secure dividend stocks, you also don't have to worry about the sustainability of your passive income. But that's where things get tricky.

Most Dividend Aristocrats offer decent, modestly high yields. For truly high yields, you need to venture out of the secure pool of Dividend Aristocrats with stellar dividend histories. But that's not necessarily bad. Dividend stocks that aren't Aristocrats don't *frequently* slash or suspend their dividends. They need to maintain dividends to keep investors from pulling out, just like Aristocrats do. But the risk, while mild, is certainly a bit higher than it is with Aristocrats.

The solution is a well-diversified dividend portfolio. If you are starting a passive income from a fully stocked Tax-Free Savings Account (TFSA) — which makes the most sense — consider allocating half or more of it to your passive income.

That doesn't necessarily have to offset your capital appreciation goals if you choose dividend stocks that offer decent growth potential as well. But some high-yield stocks are coveted primarily for their dividends, and one of them is **Inovalis REIT** (TSX:INO.UN).

The REIT

Inovalis is a Canada-based European REIT. It has a portfolio of office properties located in France and Germany. An international portfolio based in the stable European markets has its pros and cons. The main benefit of such a portfolio is that it isn't affected by the local real estate headwinds. No matter how wildly the residential and commercial real estate markets move here in Canada, the REIT would remain stable.

The challenge when it comes to investing in such a foreign-focused REIT is the lack of familiarity. Canadian investors might need to study up more on this particular investment to understand it in the context of the real estate market of its "host" countries, that is, France and Germany.

How the demand for office space in those countries is changing or how rental regulations can impact Inovalis' ability to generate enough income to sustain its dividends are just two of the many questions Canadian investors need to find answers for before investing in this attractive high-yield REIT.

The dividend income

The REIT is currently offering a mouthwatering yield of 8.5%. Even though the yield is sustained by a less-than-ideal payout ratio, the REIT will most likely be able to maintain its payouts, given the pace at which its rental revenue is recovering.

If you invest exactly one-fifth of a fully-stocked TFSA ($15,100) into Inovalis, you will get an annual passive income of about $1283, which translates to a daily income of $3.5. While that might not look like much, it's just one-fifth of the capital you have to invest in dividend stocks. You can easily crack $10 a day without expanding all of your TFSA capital and investing in relatively more secure Dividend Aristocrats.

Foolish takeaway

Inovalis has maintained payouts of $0.0688 since at least 2017. The REIT also offered a generous special dividend (more than four monthly dividends) to its investors in June 2021. And like most REITs, it offers monthly dividends, making it a very "convenient" dividend stock for starting a passive income.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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