A 7% Dividend Stock That Pays Cash Every Month

Description

Starting a passive income stream with dividend stocks is more hands-off than most other sources of passive income, like being a landlord or systematically selling stocks from your growth portfolio to balance capital preservation with income. But it does involve a bit of work and planning.

For example, if you are relying upon a dividend-paying company that makes quarterly payments for your passive income, you have to ration your dividends and spread out the quarterly payouts to last the three months.

You can even get around that small passive-income management task by focusing on monthly dividend stocks. A high-yield and monthly frequency is a combination most commonly found in REITs, and though sustainability and consistency might not be its strong suit, **Slate Grocery REIT** (TSX:SGR.UN) is a pretty safe bet.

The REIT

Slate Grocery is one of the two publicly-traded REITs under the Slate Asset Management Group (headquartered here in Canada). However, the REIT is made up entirely of U.S. properties spread out over 23 states. Of the 107 properties, 95% are anchored by grocery businesses, and the top tenants include **Walmart** and **Kroger**.

The diversity and nature of the portfolio add to the stability of the REIT. It has an aggressive acquisition strategy and acquired 30 new properties (at 7.7% and 7.8% cap rate), in addition to two Kroger-focused acquisitions.

It recently saw a leadership change, and the CEO stepped down. We have yet to see how this will impact the REIT's direction going forward.

The REIT is a powerful bet from a capital preservation perspective as its stock is quite resilient. And if you manage to buy it at a dip, you may experience powerful growth as well. An example would be its post-2020 crash growth, which has pushed the stock up 149%.

The dividends

The REIT has been paying monthly dividends for several years and has grown its payouts twice since 2017. And it's not just the business model that inspires confidence about dividend sustainability but the payout ratio as well, which is currently at 58.4%. The company *has* sustained its payouts for significantly higher payouts, so its resilience is another factor to consider.

Currently, the REIT is offering a mouthwatering yield of 7%. If you can allocate about $30,000 to this generous and safe yield, you can expect monthly dividends of about $175. That's a decent enough sum in its own right, but if the company raises its payouts again as it did in the past, your dividend income from this REIT will also remain ahead of the inflation.

Foolish takeaway

Dividend investing is more than just about chasing the yield. Sustainability, frequency, and chances of growth are crucial factors to consider. And if the dividend stock offers a reasonable shot at capital appreciation on top of safe and generous dividends, that's a powerful added bonus.

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Author
adamothman