A Cheap High Yielder to Boost Your RRSP Passive-Income Stream

Description

Your RRSP is meant for investing, not speculating on fast-falling knives within some of the more speculative areas of the market. Sure, the beaten-down growth stocks that have taken the most damage at the hands of a furious Mr. Market will bounce back with fury once the bottom is in. However, we do not know when the bottom will be put in. Further, we don't know if the furious relief rally will exceed any losses between now and when the bottom hits.

It's really hard to be bullish, with so much doom and gloom. The market seems to be fighting a hawkish Federal Reserve, while the war in Ukraine continues to unfold.

With a pandemic also happening in the background, it seems like the next year or so will be a lost cause for investors. So, why not sell now and buy back at a later point?

The S&P 500 has already lost 22% of its value. A 50% peak-to-trough drop seems doubtful, even if a recession is in the cards.

Don't worry about timing a market bottom: Focus on beefing up your RRSP income stream!

While it's difficult to time a bottom, I think long-term investors should continue nibbling away at undervalued stocks and REITs while yields are on the higher end. That's how you can give your RRSP income stream a nice, sustained boost. By locking in higher yields after a nasty share price flop, RRSP investors can improve their odds of coming out ahead, whenever the market is ready to turn a corner.

Don't be too greedy, though. Bear markets tend to drag for around a year. And any bounces could prove to be yet another short-lived bear market rally. So, don't chase and just nibble away at your favourite income plays on the way down.

Currently, shares of **SmartCentres REIT** (TSX:SRU.UN) look like they have a wide margin of safety after enduring a painful 18.5% tumble off 52-week highs.

SmartCentres REIT

SmartCentres is a retail REIT that many investors tend to be quick to throw out at the first signs of a recession. Consumers have really slowed their spending. It seems like such a long time ago when investors were excited about some sort of post-pandemic spending spree fueling a “Roaring 20s” type of environment that mirrored the one enjoyed 100 years ago.

These days, investors have soured on retail, and, naturally, retail REITs have fallen as well. Even as consumers spend less, Smart will still rake in considerable amounts of rent from its high-quality tenants. Such tenants held up during 2020 lockdowns, and they’re likely to hold up come the next recession.

Shares of Smart trade at 4.4 times trailing earnings, with a 6.8% yield. That’s a huge payout that I’d not hesitate to reach for if you seek passive income at a huge discount. Add the firm’s residential project push into the equation, and I think SRU.UN is severely oversold, undervalued, and will be ready to rip higher once the worst of the recent recession fears blow over.

CATEGORY

1. Investing

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1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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