2 Passive-Income Heavyweights for TFSA Investors to Buy Now

Description

Passive-income heavyweights don't always go on sale, but when they do TFSA dividend hunters should be ready to back up the truck, even if forecasters lower their year-ahead price targets. At the end of the day, long-term TFSA investors should embrace market corrections with open arms. Sure, stagflation could set many investors back, but for young investors committing to invest for the next five to 10 years, the recent slump should be just another bump in the road, rather than a massive threat to one's TFSA retirement fund.

For retirees, the recent slump is a different story. Inflation and market volatility have weighed heavily. Many retirees may need to spend another year or two in the workforce. This could prove tough, as the economy tilts into a recession. In any case, there's no shortage of blue-collar work, as white-collar jobs face layoffs and all the sort. Dr. Michael Burry noted of the discrepancy between the performance in service sector jobs and those relating to tech and finance.

Finding bargains in the wreckage

In any case, TFSA investors should continue as planned and look to invest a bit more where they can. Bear markets certainly feel like they last forever. It's been over six months of the S&P 500 bear market. In due time, it will end. Indeed, we may be closer to the end than the beginning, given the average bear market tends to span nine months.

While a more severe bear market could leave a rally further out of sight, one thing is for sure: long-term investors will be there to enjoy the rally. Near-term thinkers may not be around long enough. That's why I'd be a buyer of income stocks while they're swollen. With income plays, you get more yield to wait for the inevitable rebound.

TFSA passive-income stock #1: H&R REIT

H&R REIT (TSX:HR.UN) doesn't get much respect these days — not after it slashed its payout during the worst of the COVID hailstorm just over a year ago. Undoubtedly, H&R has made the right changes, with asset sales and strategic spin-offs. Still, H&R seems poor at timing, with sales that could leave it kicking itself once the office real estate recovery begins.

Personally, I think H&R made the right move to diversify away from offices. COVID is still out there, with new variants. Offices are unlikely to come back, as workforces digitize and workers grow accustomed to remote work. There will always be demand for office space. But in the post-COVID era, it seems unlikely that pre-pandemic levels of demand will be hit again.

H&R ripped the band-aid off. With a 2.5 times trailing earnings multiple and a 4.4% yield, the shares seem very intriguing. It's a discounted play with a better mix. That's all investors can ask for as the REIT attempts to sustain a rally.

TFSA passive-income stock #2: CAPREIT

Canadian Apartment Properties (TSX:CAR.UN) is a great residential real estate play that's crumbled like a paper bag amid the broader market selloff. Sure, rates are headed higher, and that doesn't bode well for growth-focused REITs. However, CAPREIT is well run, with distinct advantages over other residential REITs.

CAPREIT operates in the white-hot Vancouver and Toronto housing markets. Though higher rates will lead to lower home sales and pressure on prices, rental rates could soar as a result of increased costs of getting a mortgage. In due time, CAPREIT will be back on the right track. Until then, the stock will slump alongside everything else. The stock yields 3.3% with a 5.8 times trailing earnings multiple.

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Date
2025/08/22
Date Created
2022/07/06
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