2 Value Stocks That Are Passive-Income All-Stars

Description

These quality value stocks are passive-income all-stars! Don’t miss the back-up-the-truck opportunity in this market correction.

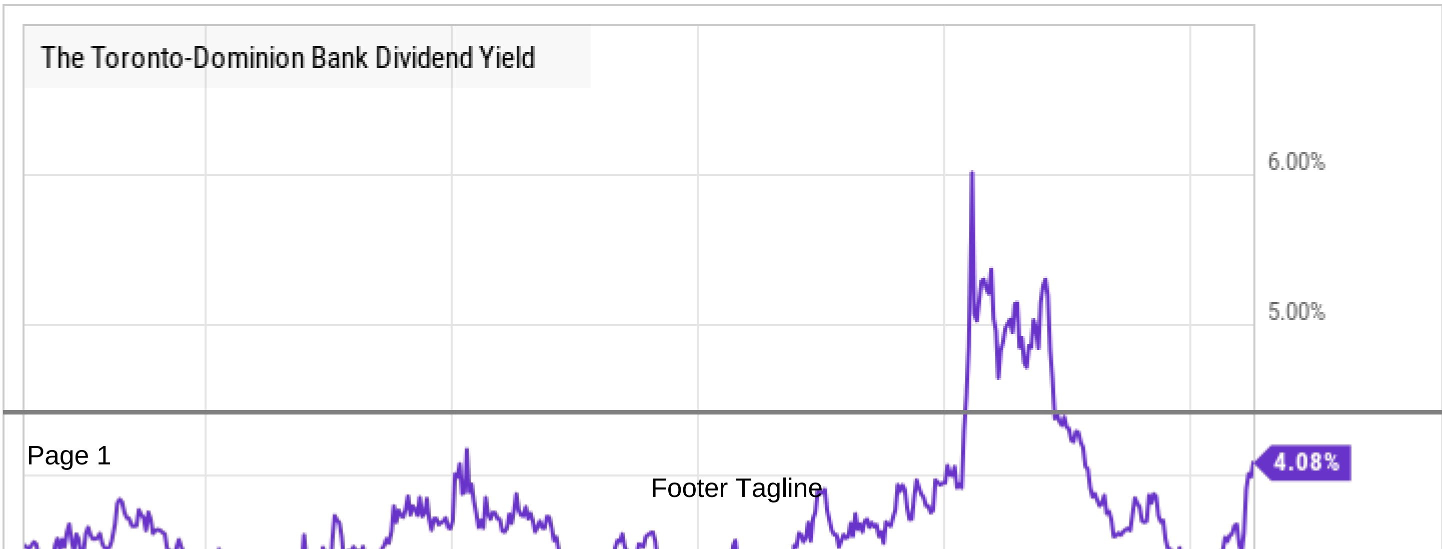
TD Bank stock is getting cheap for passive income

In a normal market, it would be a rare sight for **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to hit a 4% dividend yield. In this market correction, the quality bank has fallen 24% from its peak and now yields 4.3%, which makes it more attractive for passive income.

The bank stock is affected by a looming recession in over the next year or so. There’s no telling how low it could fall. However, investors who have an investment horizon of five years could pocket compounded returns of about 13-15% per year. Assuming the low end, a $10,000 investment would transform to approximately $18,424. More importantly, your yield on cost could reach close to 6.5% for incredible passive income.

The top North American bank provides meaningful exposure to the U.S. economy and a core business in Canada. Its focus in retail banking makes it a lower-risk investment than many other banks.

And if you have a long investment horizon of 10 years or beyond, it makes good sense to accumulate TD shares as a core holding. A systematic strategy may be to buy some now and buy more every few months or so to build a full position.



TD Dividend Yield data by YCharts

The next passive-income all-star could be a wonderful addition to your TFSA for tax-free income!

One 5%-yield Canadian REIT that's on sale

Canadian Net REIT (TSXV:NET.UN) has a portfolio of high-quality commercial real estate assets. It has interests in about 99 properties in eastern Canada and maintains a high occupancy rate of approximately 99%.

The real estate stock has been through the ebb and flow of the business cycle while growing its book value per share. Currently, it trades at close to book value, which makes the passive-income stock on sale.

NET.UN Price to Book Value data by YCharts

More importantly, the stock's monthly cash distribution has been increasing every year since it started paying one in 2012. This year marks its decade's long track record of raising its payout to unitholders. Its 10-year dividend-growth rate is 10.5%, which doubled unitholders' income in about 6.86 years as approximated by the Rule of 72 for a lump sum investment that was made a decade ago.

Its growing cash distributions are backed by even faster funds-from-operations (FFO) growth, setting Canadian Net REIT's recent FFO payout ratio sustainably at about 56%.

The REIT's business model is defensive. It has long-term management-free and triple-net leases that increase the stability and predictability of its FFO. Another growth factor is its ability to acquire new properties or participate in new developments. A confidence booster for investors is the strong insider ownership of roughly 14% of the trust.

At $6.75 per unit, the stock trades at a discounted valuation similar to the 2020 pandemic levels. It now yields 5% which makes it a substantial passive-income generator. If you don’t need the income, now is the best time to turn on DRIP for dividend reinvestment, which will result in a higher effective yield, especially if prices stay dirt cheap!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)
3. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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