Top Passive-Income Investing Ideas for Your RRSP Retirement Fund

Description

There's no shortage of great passive-income investing ideas for Canadian investors looking to bolster their RRSPs after the recent market correction. Though the second half could be just as unforgiving as the first half of 2022, I'd argue that long-term investors should focus on the next 10 years, rather than the next 10 months. The longer your time horizon, the less pressure you should be under at a time like this.

Bear markets are always to be expected. And investors need to know how to deal with such markets. After nearly seven months of market pain, I think it's time to start to get serious about putting some of your dry powder to work on investment ideas that can help you come out of this terrible year ahead.

As you may know, yields tend to go up as share prices fall. If a payout is safe, you have a chance to "lock in" more yield for a lower price. For long-term investors seeking massive passive income, bear markets are a good thing.

Look back no further than the 2020 stock market crash. If you bought the dip on any one of the big Canadian bank stocks, you locked in yields to the magnitude of 5-7%. The payouts were not only secure, but the window of opportunity to snag such yields closed very quickly, as shares rebounded sharply.

The big banks tend to slip rapidly, but their yields are tough to pass up if you're looking to build a bountiful passive-income stream for yourself. If you can handle volatility and near-term pain, you can better equip yourself to do better over the long run.

It's not just bank stocks that high-yield hunters should track down during bear markets. The REIT space is often full of opportunity when fear and panic are in the air. REITs are designed to have larger payouts. And when the going gets tough, it's the high-yield REITs that have some of the most swollen of yields in a downturn. Investors must carefully evaluate adjusted funds from operations (AFFOs), though, as distribution cuts can happen if rent-collection rates fall under too much pressure.

Currently, **SmartCentres REIT** (TSX:SRU.UN) is a great passive-income REIT to check out on the way down.

SmartCentres REIT

SmartCentres REIT is a retail real estate play that really took a hit during the pandemic, as lockdowns loomed. Despite lockdowns, the REIT held its own, and its AFFOs weren't under too much pressure such that management needed to reduce their distributions. With near-normal rent-collection rates and a top tenant that could attract even more crowds to Smart's strip mills, I'd argue that SmartCentres is one of the most resilient to a coming economic contraction.

At writing, shares of Smart are down around 19% from all-time highs. The 6.8% yield is bountiful and is likely to stay safe as the economy heads south next year. With solid tenants locked in for the long run, the $3.94 billion REIT has a lot to offer to long-term thinkers looking to get more yield for a modest price of admission. Simply put, Smart REIT looks like a smart investment for RRSP investors.

CATEGORY

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Date
2025/08/21
Date Created
2022/07/15
Author
joefrenette