



3 Brilliant Stocks for a Handsome Passive Income

Description

Looking at dividend stocks from purely a yield perspective makes it easier to calculate ROI, especially when you are comparing it to other income-producing investments, like rental properties. But over time, you should develop a more sophisticated approach.

A passive income should at least be sustainable, if not growing. This requires you to look into dividend stocks that are unlikely to slash or suspend their dividends in the future.

You should also look into the stock's past performance. If a stock offers a healthy yield, but it also devalues over time, diminishing your capital, it might not be a healthy investment — especially if you are only keeping it short term. The longer you keep a high-yield stock (even if it offers minimal or no growth potential), the more capital you get back in the form of dividends.

A REIT

True North Commercial ([TSX:TNT.UN](#)) has a market capitalization of about 592 million, and its assets are more than double its market capitalization (\$1.4 billion). The 46 commercial properties are spread out in five provinces though Ontario has the largest share. The REIT boasts a good occupancy rate of 96%, which indicates that its income-producing resources are optimally utilized.

Three out of four high-quality (government and credit rated) tenants also endorse the income sustainability potential of the stock. As for performance, the stock managed modest growth in the five years preceding the pandemic — in a healthy market. So, when the real estate market stabilizes, you may not have to worry about your capital losing its value.

The REIT offers a compelling 8.95% yield. With \$50,000 invested, you can get a monthly income of about \$373.

A mortgage company

The mortgage industry may experience a hit in the next couple of years due to incredibly high interest rates. Higher interest rates can keep investors away from the market and push potential home buyers to delay their plans till the time when financing becomes more affordable.

Still, with a healthy existing portfolio of mortgages, companies like **MCAN Mortgage** ([TSX:MKP](#)) might be considered healthy dividend stocks for a passive income.

MCAN Mortgage has exhibited decent growth in the last few years. It currently has access to \$3.8 billion worth of assets and both residential and commercial mortgages in its portfolio. And since it offers flexible mortgage options to homeowners, commercial investors, and others, it may be able to survive better than purely residential mortgage companies.

Its capital-appreciation potential has been decent enough, even though its growth is not linear and is dotted with dips. The 9% yield is even more impressive.

An asset management company

Fiera Capital ([TSX:FSZ](#)) is an investment company with a diversified business. Geographically, the company operates in multiple markets in three regions: Canada, the U.S., and international (all other countries it operates in).

Less than half of the revenue comes from Canada, and about a third comes from Europe and other markets. The rest comes from the United States. This distribution changes quarter to quarter but not drastically.

There are also different business segments, the most significant of which are institutional markets. The company has grown its assets under management at a powerful pace — 6.4 times between 2011 and 2021.

It's also a compelling dividend stock with a powerful 9.14% yield. And even though its payout ratio seems dangerously high at 162% and is a major negative from a sustainability perspective, it's relatively stable considering its payout ratio history.

Foolish takeaway

Many of these high yields can be attributed to the fall of the TSX as a whole. The stock discounts *and* the yields might go down when the TSX [bull market](#) starts. So, you should carefully time your entry into the market. If the stock you are looking at is an industry that's still going down, you can lock in a higher yield by waiting. But if the sector is recovering, you may need to move fast.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)
2. TSX:MKP (MCAN Mortgage Corporation)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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