



Grow Your \$2,000 and Get \$160 Income, Too: Buy 2 TSX Stocks Now

Description

Are you looking for something with no lock-in period, no tax on investment income, withdrawal anytime, a chance to grow your principal amount, and the chance to earn an 8% annual dividend? Where can you get such returns and flexibility? The stock market has your back, as you prepare for the recession.

In life, you have to take risks

You may think, "How can you have your cake and eat it, too? There has got to be a catch." Yes, there is. You have to be prepared to take short-term risks. There is a chance your principal amount might fall by 10-20%, and your distribution amount might be cut by 30-40% in the next 12 months if the recession deepens.

But if you don't panic and stay invested, your money could grow when the economy recovers, while you continue to earn a distribution of 5-6%. Your distribution can also grow with the economy.

Grow your stock portfolio and get income, too

The rising interest rates have pulled down the fair value of properties. However, rising inflation continues to grow rental income. Housing some of the most expensive real estate properties, Canadian [REITs](#) are in a sweet spot. REIT stock prices are down, and rental income is high. If the economy goes deep into recession, some REITs could see a reduction in occupancy rates, but it is unlikely to be as big a shock as the pandemic.

True North Commercial REIT

Pure-play commercial REIT **True North Commercial REIT** ([TSX:TNT.UN](#)) is better off after the pandemic, as people return to offices. In the [second quarter](#), it contracted and renewed leases, in which it increased rent by 5.5%. The higher rent helped the REIT increase its net operating income from the same properties by 7.2% year over year, despite a reduction in occupancy rate to 95.4% from

97.1% in the second quarter of 2021.

The REIT has a distribution payout ratio of 96%, which is slightly high but sustainable if it maintains its occupancy rate at current levels. At least 76% of its rental income is secure, as tenants are governments and high-credit-ranking companies. The REIT's stock price is volatile in the near term, but it has the potential to return to its average price of \$7.5 in the recovery phase, representing 13% upside from the current stock price. The stock has already recovered 11% from the April 20th to June 16th selloff.

In the meantime, you can enjoy an annual distribution yield of 8.96%. A \$2,000 investment in True North Commercial REIT through the Tax-Free Savings Account (TFSA) can earn you \$179 in an annual payout. The REIT has maintained stable monthly distribution since 2014. If the economic scenario worsens, and the REIT has to slash the distribution, it will likely announce a 20-33% deduction. This could slash your passive income to \$120, which equates to a 6% yield on a \$2,000 investment.

In both scenarios, you can have your cake and eat it, too.

Enbridge stock

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a Dividend Aristocrat known for its 27 years of dividend growth at a 10% compounded annual growth rate (CAGR). The company has pipelines that give a direct path for Canada's oil and gas to the United States markets. The pipeline stock is falling after the sudden surge in natural gas prices pushed the stock up 9.3% since mid-June. This is an opportunity to lock in a 6.2% dividend yield.

While Enbridge's stock price is impacted by oil and gas prices, the magnitude is less. The European energy crisis will keep the stock volatile, but the stock will continue to pay dividends. A \$2,000 investment will fetch you \$124.8 in annual dividend. The company has slowed its dividend-growth rate amid crises. But it could accelerate the growth, as more pipelines come online. In the worst-case scenario of a deep recession, Enbridge might not grow its dividend but sustain it at the current level.

Foolish takeaway

Enbridge has a lower risk than True North Commercial REIT. You can divide \$2,000 among the two stocks as per your risk profile. A 50:50 distribution would give you an annual income of \$152 and mitigate the impact of distribution cuts, if any, balancing risk and reward.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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