Passive Income: How to Get a 6.6% Yield by Piggybacking Off Wal-Mart

Description

It's been a nasty bear market that's given so many dip buyers and rally chasers false hope. Indeed, the sudden gains just aren't coming in. If anything, big upward surges have proven opportunities to lighten up your portfolio. In any case, long-term investors need not fear the bear market or care too much about the troubling Consumer Price Index reports or hawkish Fed commentary.

At the end of the day, it's the next 10-20 years that matter. The next 12-18 months could see more of the same. Extreme turbulence and frustration on the part of investors. In any case, staying the course is the best way to go, as unprofitable growth companies continue to implode like a paper bag. Many such firms that were bid up in 2021 never should have traded at insane 20-40 times price-to-sales (P/S) multiples.

Bear markets are a great time to make money

Now that the tides have turned, investors should be more comfortable placing bets on markets, rather than losing interest! Yes, the market has been a bloodbath for nine months now. With a recession looming and inflation continuing to plague our wallets, it seems wise just to stash your extra Tax-Free Savings Account cash in a 4-5% rate Guaranteed Investment Certificate.

Now, fixed-income securities have become attractive to passive-income seekers in recent months. With equity valuations at such reasonable multiples, I'd argue that stocks are also the best they've looked since the depths of 2020 stock market crash.

Indeed, many investors are now looking away from markets. It's been a money-losing game and may continue to be going into year's end. Regardless, income investors should find comfort in the swollen yields of some of the well-run real estate investment trusts (REITs).

As share prices fall, yields go up. Assuming there's no distribution or dividend cut, you could walk away with a heck of a lot more income per dollar if you act in this bear market, rather than waiting for the dust to settle.

As someone wise once put it, most money is made in bear markets. You won't realize it at the time. But looking back, you'll realize this and thank yourself for buying that REIT with a yield that's 2-3% higher than where it is normally.

SmartCentres: A smart way to bet on the recession resilience of Walmart

In the REIT space, I'm a huge fan of **SmartCentres REIT** (TSX:SRU.UN).

SmartCentres REIT is a retail REIT that I've praised in prior pieces as a security to help you minimize the impact of 7-8% inflation. After suffering a 16% plunge off its 52-week highs, shares of SmartCentres go for 4.4 times trailing price to earnings (P/E) with a huge (and secure) 6.6% distribution yield.

Smart may be a retail REIT, but it's one that's proven its resilience through the pandemic. With **Wal-Mart** anchoring most of its strip malls, I believe Smart will also impress everybody with its performance through a recession year.

Wal-Mart is an incredibly well-run retailer that will draw in huge crowds seeking to stretch their dollar further once a recession hits. Indeed, SmartCentres is piggybacking off the resilience of its top tenant. While other tenants could feel a bit of a pinch, most will benefit from Wal-Mart shoppers looking to save money at other retailers.

Wal-Mart is a great recession-resilient company. And SmartCentres is a stealthy, cheap, and more bountiful way to play the retail behemoth.

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