Love Passive Income? Here's How to Make Plenty of it as a Real Estate Investor

Description

One of the best ways to bring in passive income for life is through real estate. I'm sure many of us know about this whether we're into investing or not. However, not everyone can afford to become a real estate investor.

In fact, there are a lot of headaches that come with getting into real estate beyond the initial price tag. There's the upkeep, the management, finding residents, and then the chance of what we're going through now with a housing downturn.

That's why the way to make the *most* passive income through real estate is through real estate investment trusts (REITs).

Cost benefit

The first benefit of choosing REITs over real estate properties for passive income is the initial cost. You can put down a $30,000 down payment and then have a mortgage you have to look after for years and years. Even if your renters cover the mortgage, there's always the risk your property could sit empty for a while. Then that cost is on you.

Meanwhile, REITs just have the initial investment you decide to make, and no more. It's then managed by a team of professionals who can manage the properties instead of you doing it. And if you decide you need the cash, you simply take it out. It's easy and a lot less stressful.

The tax benefit

If you own real estate, then there are certainly going to be tax implications that come along with it. I won't get into it all here, but suffice to say, if you own more than one property, the government is going to tax you for it.

Meanwhile, owning an REIT could create *tax-free* passive income. This comes by investing in a Tax-Free Savings Account

(TFSA). Not only are you creating passive income, but you're creating income that the government can't tax even a penny of.

Create *more* cash

Here's the other thing. We're going to break down the numbers here and see that if you were to invest $30,000 into a property today versus the same amount in an REIT, you could actually make *more* money by investing in the REIT.

Let's say you invest in Toronto. The average cost of a house in 2021 was just under $1.1 million. Meanwhile, the average home cost was $275,231 back in 2002. That's gains of $824,769 — a compound annual growth rate (CAGR) of 7.17% over the last two decades.

But out of that comes your costs of owning the property, including property taxes, taxes from the government, and general maintenance. These can add up quickly, and even increasing rental costs won't always mean you come away with tonnes of cash in your pocket.

Let's say you wanted to make that $824,769 from an REIT instead. You can find a far more stable option in a stock like **Granite REIT**. It operates industrial properties, and has a 4.64% dividend yield right now. One that's risen at a CAGR of 3.96% in the last decade. Further, shares have grown at a CAGR of 10.81% in that time!

Bottom line

If we were to take all this together, you could make *far* more from Granite REIT with far *less* risk. You would surpass the amount made from your real estate in 27 years, hitting $859,224. And remember, that's without adding another *penny* beyond the $30,000! There are also no mortgage payments and no property taxes — no taxes of any kind.

Meanwhile, you would be bringing in passive income to reinvest at $1,420 starting right now. Honestly, when it comes to passive income, REITs over real estate is just a no-brainer.

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