



TFSA: Invest \$1,000 in These 2 Stocks and Get \$136 in Passive Income

Description

Many investors faced significant losses from the [tech stock](#) meltdown and decided to exit the stock market. But only the ones who understood the true meaning of buying stocks at the dip stayed and invested their \$6,000 Tax-Free Savings Account (TFSA) throughout the [bear momentum](#) and locked themselves in a high-dividend income for a decade. Take that loss as a tuition fee for learning stock market investing.

Lesson #1: Learning from the mistakes

If you want to learn about investing, get hands-on experience in the market by putting some money into stocks. Some double their money; some halve it. It helps you learn from the most common mistake: never buy a stock near its 52-week high. If you do what the market is doing, you might as well wire the money to hedge funds.

Lesson #2: Diversify, and that does not mean buying shares of 10 different retail stocks

Your portfolio is bleeding red probably because your investment is skewed towards a sector. It is a common mistake to assume portfolio diversification means buying stocks of 10 or 20 different companies. You need not have shares of 20 companies in the same sector. Neither should you have all 20 as growth stocks or dividend stocks. The correct way to diversify is to buy 20 different types of stocks across sectors, market caps, and asset classes.

Two small-cap dividend stocks for \$136 in passive income

For the dividend stock portion of your portfolio, you can add two Dividend Aristocrats in the energy and telecom sectors. You can also invest a small portion you allocated for dividend stocks to high dividend stocks. The higher the dividend higher the risk. Here are two small-cap dividend stocks with yields over

9%.

True North Commercial REIT

With a \$1.06 billion market cap, **True North Commercial REIT** ([TSX:TNT.UN](#)) is a small-cap real estate investment trust (REIT) with 47 commercial properties in its portfolio. The risk with small caps is their average trading volume is low, which makes selling the stock difficult. They also have a lower number of outstanding shares (89.75 million shares). It has its advantages and disadvantages. A lower share count means each share carries higher weightage and can pay higher distributions per share.

True North Commercial REIT stock price dipped up to 23% since the Bank of Canada's interest rate hike began. Higher interest rates have made mortgages expensive, reducing the purchasing power of potential property buyers. A decrease in demand pulled down the fair value of the property portfolio of all REITs, including True North Commercial. But the good news is the REIT's stock saw an 11.5% recovery in October on a slower-than-expected [50-basis-point](#) rate hike.

However, the central bank did not rule out the possibility of a higher rate hike that got the bear momentum started, creating an opportunity to buy the stock at a 17% discount and lock in a distribution yield of 9.82%.

A \$500 investment will buy you 67 shares of the REIT that will pay \$46.23/year in TFSA passive income. If you let the \$500 investment compound in True North Commercial's dividend-reinvestment plan (DRIP) for five years, you can get 95 shares that pay \$65/year. Plus, you can get a \$110 capital appreciation.

Timbercreek Financial stock

Diversifying your small-cap dividend stock segment into a different sector is **Timbercreek Financial** ([TSX:TF](#)). While not distant from REITs, this non-bank lender gives commercial real estate investors floating-rate mortgages of fewer than five years. The rising interest rate means higher profit and lower [loan turnover](#) for Timbercreek. The lender has a market cap of \$625 million and an average trading volume of 104,676, which is lower than True North's 239,000.

Despite the interest rate hike, Timbercreek stock fell 22.5%, as there is a risk. With only 84 million outstanding shares, each share gets a \$0.69 dividend, which is 9.27% of the current trading price. A \$500 TFSA purchase will buy you 82 shares of Timbercreek, which will pay \$48/year in passive income. Through the DRIP, you can increase the count to 120 shares, which pay \$71/per year after five years.

The choice is yours: either take a \$94 annual dividend in 2023 or \$136 in November 2027.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TF (Timbercreek Financial Corporation)

2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. pujatayal

Category

1. Investing

Date

2025/06/28

Date Created

2022/11/08

Author

pujatayal

default watermark

default watermark