TFSA Investors: Everyone Else Has Forgotten About This 1 Passive-Income Stock

Description

Tax-Free Savings Account (TFSA) investors shouldn't make too much of the excess volatility we've witnessed for well over a year now. Undoubtedly, volatility goes both ways, and new investors could get themselves into trouble if they overreact to the news that moves markets over the near term.

By the time most investors have heard of a material news event, it's likely too late to react. Though certain complicated earnings results may take some time for Mr. Market to digest, TFSA investors need to be focused on positioning themselves for the next five to 10 years, rather than seeking to maximize gains for the year.

Unlike many professional money managers, you don't need to stay on your toes and make moves consistently to meet near-term targets. With time on your side, you can stay the course and slowly move your portfolio closer toward your long-term investing goals.

TFSA: Forget trading! It's best used for long-term investing!

2022 saw retail traders take massive hits to the chin. Though trading can result in quick gains, it's also how you can lose your shirt in a hurry. That's why I'm a firm believer in separating investing accounts from trading accounts. That way, you know your limits and won't jeopardize your retirement goals in the pursuit of a high-risk, short-term call on a stock.

As for your TFSA, I think it should be focused on maximizing wealth over the decades. It's a versatile account, and your annual contributions shouldn't be used to speculate, even if you do have the risk tolerance. At the end of the day, any capital losses in a TFSA can't be used to offset gains elsewhere.

Your TFSA isn't just for building up a retirement nest egg. It's also a pretty great passive-income generator. In this piece, we'll check out one of the best passive-income plays that I think is off the radars of most Canadian investors.

Without further ado, check out **Canadian Apartment Properties REIT** (TSX:CAR.UN).

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (or CAPREIT) has been off to a hot start, now up around 16% year to date (just over a month). It closed last year with shares flirting with lows not seen since the worst of 2020. The bounce back from these depths (around $40 per share) has been equally as steep. Though the yield has shrunk to below 3% (currently at 2.89%), shares still offer a terrific mix of value and total returns potential.

At writing, shares trade at 16 times price to cash flow, which is just above the 14.6 times residential and commercial real estate investment trust (REIT) industry average. CAPREIT isn't the cheapest REIT out there, but it's one of the highest-quality residential plays that deserves a premium over the peer group. Given its exposure to hot rental markets (think the Greater Vancouver and Toronto areas), it's arguable that CAPREIT deserves one of the higher premiums in the Canadian residential REIT space.

The bottom line on CAPREIT shares

A battered REIT like CAPREIT won't make you rich, but it stands out to me as a potential winner in 2023. Like in the recovery from 2020, CAPREIT could find itself flirting with new highs in a matter of months. By then, buyers will have to pay up a larger premium, and the yield could be closer to 2% than 3%.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties 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. joefrenette

2. kduncombe

Category

1. Investing

Date
2025/08/12
Date Created
2023/02/12
Author
joefrenette