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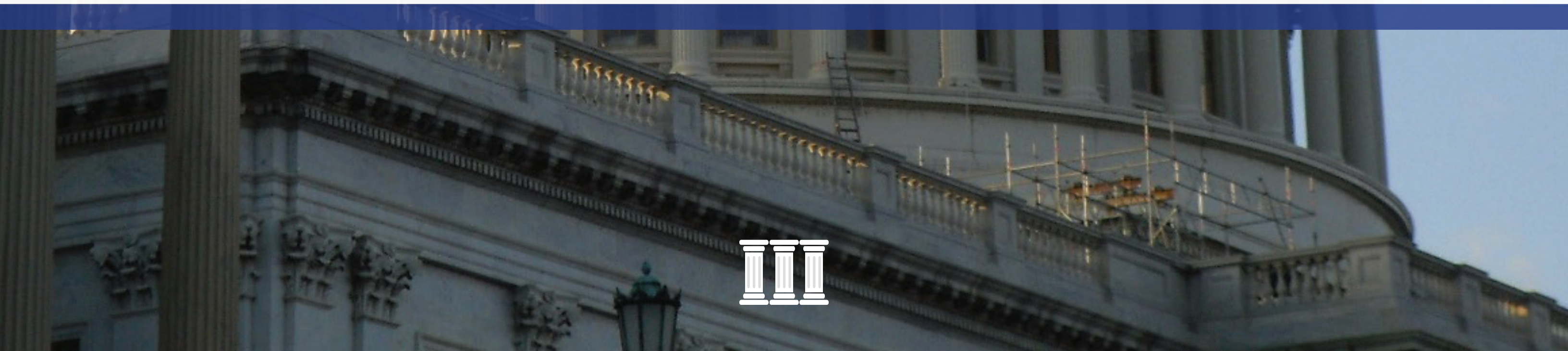
How To Collect An Extra $1,003 A Month In Government Cash



How To Collect An Extra $1,003 A Month In Government Cash

By Jim Pearce and the team of analysts at Investing Daily

Looking for robust income? Invest in Uncle Sam's landlord. This high-yield real estate investment trust (REIT) is like a government printing press.

If you're worried that Social Security or conventional retirement plans won't be enough to sustain you in your "golden years," you're not alone.

And you're probably right, too. It won't be long before revenue-desperate lawmakers go after Social Security, 401(k) plans, and Individual Retirement Accounts (IRAs), by limiting their benefits and raising eligibility ages, not to mention hiking taxes on them.

But we've found a solution. Below, we explain the simple but powerful details behind an investment that's like a pension plan, except this plan is available to everyone and it's backed by the full faith and credit of the United States government.

Rest assured, this investment enjoys a cozy relationship with the feds, which means the geniuses in Congress will keep their hands off it.

This plan's structure is what's known as a real estate investment trust (REIT). In a minute, we'll examine a best-of-breed REIT that's plugged into the greatest cash cow on earth—federal and state governments.

First, a word about REITs and why they're among the greatest income generators you can find.

REITs are particularly attractive dividend plays because they must distribute at least 90% of their taxable income each year to shareholders as dividends. They're also "all-weather" investments, which is important whenever political and financial instability spook traders.

Although the occasional bust from a financial crisis does happen, REITs generally hold their value well in a down market because the rents their tenants pay are contractual obligations. Rents also tend to rise with inflation, helping to offset inflation's corrosive impact on purchasing power.

These qualities make REITs the ultimate total return investment. You can collect higher-than-average yields for years, even as the value of the units rise along with the value of the REIT's property portfolio.

Dividend-paying stocks like REITs are time-proven vehicles for long-term wealth building, but they're also safe harbors in turbulent seas because companies with robust and rising dividends by definition boast the strongest fundamentals.

If a company has the low debt and healthy cash flow required to throw off juicy dividends, it follows that the balance sheet is intrinsically sound enough to sustain the company through market corrections. What's more, the real estate sector is a classic hedge in perilous times.

When you're considering REITs, look for those that are consistently growing their funds from operations (FFO), which is how a REIT reports earnings. Because FFO doesn't include gains or losses on property sales, nor depreciation, the metric gives you an idea of how a REIT is faring on a real cash basis.

You also want REITs that are in stable markets, where rents aren't falling and vacancy rates aren't high. Those REITs can create FFO growth by steadily raising their rents without scaring off tenants. Plus, they're more recession-resistant because tenants know that they have a good deal.

The REIT's management team also is an important consideration. Is there a steady deal flow as management reinvests available cash, or is the team resting on its laurels? When management has demonstrated a consistent track record of profitable deals, your money is in good hands.

It's an added bonus if you can find a REIT with a special client base that has dug in for the long haul and has no inclination to pack up and leave. Specialized REITs like these keep throwing off robust dividends despite economic ups and downs or interest rate fluctuations.

A crash-proof haven…

One REIT that fits all of those criteria is **Government Properties Income Trust (NSDQ: GOV)**.

U.S. and state government agencies lease most of the space in GOV's properties, so it's a safe bet that this REIT's leaseholders will stick around, regardless of economic ups and downs.

With a market cap of $1.3 billion, Government Properties Income Trust is the U.S. government's largest landlord and owns 108 properties located in 30 states and Washington D.C., containing about 17.5 million square feet.

Properties are 94.2% leased and occupancy has remained well above 90% since inception. Government tenants historically occupy the same space for more than 20 years, considerably longer than private tenants. GOV's primary lease terms tend to be for 10-20 years.

With Uncle Sam and state governments as tenants, GOV is a crash-proof haven regardless of economic and market conditions. And keep in mind, because of the security concerns of government tenants, their space must be designed to strict specifications, which means they can't just move on a whim.

Government Properties Income Trust's management has been turning in solid FFO growth through a series of property acquisitions. Most of those properties were already occupied by an agency, while the rest was owned by some other government agency. Given that track record of successful acquisitions and the government's preference of leasing rather than buying space, it's likely that management will continue finding profitable deals.

Case in point: in June 2017, Government Properties Income Trust announced a deal to acquire all of the outstanding common shares of First Potomac Realty Trust (NYSE: FPO), for around $1.4 billion, including debt.

For GOV, the acquisition was a shrewd strategic move. First Potomac controls premium office and industrial properties in the highly affluent Washington, D.C. metropolitan area (aka the "Beltway"), which benefits from federal government spending.

A rock-solid business model…

GOV enjoys a rock-solid business model because the U.S. government is the largest employer in the world and the largest office tenant in the country. GOV handles a resource so massive and time-consuming to manage—office space—that the government has no interest in running it.

In exchange for this comfy relationship with federal and state governments, the company was compelled to structure itself as a REIT… and pay out 90% of its profits. You can join this elite club—and your membership fee is buying a share in GOV. But we recommend you load up on GOV shares, for an unbeatable package of growth-and-income.

Buying shares of GOV is like signing up for a government retirement program, but with GOV, your payouts come directly from the ample coffers of federal and state governments and not from the troubled Social Security fund. And rather than wait until Social Security's full retirement age of 66, you can collect your money immediately.

GOV throws off an eye-popping yield of 13.95%, but you can supercharge even those fat dividends by signing up for the REIT's dividend reinvestment plan (DRIP). You can enroll in GOV's DRIP plan directly with the company at www.govreit.com/investors/stock-information/drip-information/default.aspx.

The miracle of compounding interest is where you gain interest in an investment and then reinvest it to gain even more interest the next time around. Dividend reinvestment is one way to accomplish this goal.

By going directly to GOV via its DRIP, you can sidestep all of the onerous (and often hidden) fees that Wall Street imposes on retirement plans such as 401(k)s and IRAs. Those fees can add up over time and eat away at your nest egg.

Even though it almost never gets mentioned in the financial press, GOV is one of the safest income-generating opportunities available today.

If you're interested in other high-income investments, consider the high-quality holdings in the Personal Finance Maximum Income for Retirees Portfolio. This portfolio is intended for investors who have a primary objective of high current cash flow from dividend-paying stocks, REITs, Master Limited Partnerships (MLPs), Exchange Traded Funds (ETFs), and other high yielding securities.

IMPORTANT NOTES:

Guidance concerning the stocks highlighted in this report is believed to be accurate and represent our best advice at the time of writing. However, market conditions change constantly and guidance at the time of this writing may not reflect our latest advice. For our current take on any stock in this report, it is vitally important that you check the Portfolio tables on the website and confirm that the stock still earns a buy rating. Furthermore, confirm that the stock trades below our current buy limit. Do not buy any stocks above our recommended buy limits. If a stock's price exceeds our buy limit, wait for a pullback or invest in another Portfolio holding that trades below our buy limit. Any advice in the Portfolio tables, a recent issue of the publication, or our email alerts always trumps older advice in this special report. We reserve the right to substitute special reports as market trends dictate.

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