Real Estate Investment Trusts, REITs, are often overlooked by investors. That's too bad; they can be a great way to diversify a stock portfolio.

Real Estate is are considered one of the eleven main sectors of the stock market. Other sectors include technology, energy, and industrials.

You can gauge your stock portfolio's diversification by measuring how much you have allocated to each of the eleven sectors. The idea is that the sectors do not move in unison and you may therefore be able to reduce the ups and downs compared to having a lot in only one or two sectors.

I know some investors worry that, after the pandemic, REITs will suffer as office buildings may go empty with workers logging in from home. However, office REITs are only one subsector in the REIT space.

And keep in mind REITs are much more than just office buildings. REITs can be companies running storage units, medical facilities, apartment complexes, or even businesses operating cell phone towers.

Note that REIT dividends do not receive preferential tax treatment. That is, they're typically taxed at ordinary income tax rates rather than the lower qualified dividends rates you can get from many non-REIT stock companies.

The different tax treatment is due to REITs, unlike most stock companies, normally not paying taxes at a corporate level. (Side note: tax on most non-REIT dividends is an exception to the general rule that income only gets taxed once.)

So, without letting the tax tail wag the dog, consider placing your REITs in a tax sheltered investment like an IRA or 401(k).

If, after further inquiry, you like the idea of incorporating REITs in your portfolio, please reach out to me to discuss further.

Good luck.

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