Income on Steroids: How to Earn $10K per Year in Tax-Free Income With Your $100K TFSA

Description

If you're one of the investors who've maxed out their TFSAs every single year and used the proceeds to invest in high-quality dividend-paying stocks, then you're probably closing in on that $100,000 TFSA milestone. And if you're not quite there yet, you'll get there in due time, as the power of long-term tax-free compounding is fairly unfathomable, even if you stick with boring blue chips.

So, if you're ready to turn your TFSA into a generator of five-figure tax-free income, you may want to consider investing in the two securities I'll mention in this piece. Both investments have sustainable payouts and are not in a dire situation like most other "artificially high-yielding" securities.

NorthWest Healthcare Properties (TSX:NWH.UN)

With shares down over 24% from 2013 highs, NorthWest is what you'd call an "artificially high yielder," as the 7.7% yield was probably never intended by management prior to the multi-year plunge that happened around six years ago.

While NorthWest has suffered a big bump in the road, the global healthcare real estate operator has shown that it's capable of superior net operating income (NOI) growth in addition to ever-strengthening of occupancy rates.

Fellow Fool contributor Karen Thomas noted that healthcare properties have more stable occupancies and longer-term leases than most other types of tenants. Over the next decade, as the Baby Boomer generation continues to age, we'll undoubtedly see a rise in hospital visits, and as NorthWest scales up, investors can expect above-average distribution growth and capital gains that are comparable to that of a stock.

Inovalis REIT (TSX:INO.UN)

I've saved the best for last. Inovalis REIT is my favourite high-yielding security on the entire TSX, and not just because the trust sports a sustainable 8.3% yield.

As a hidden gem, Inovalis is one of the few extremely high yielders that has the potential to offer investors a respectable amount of growth over the years. You see, REITs typically raise their distributions less frequently because payout requirements tend to stunt their growth relative to stocks.

Inovalis, I believe, is a rare exception because of its small size, which allows the trust to operate with more agility as growth opportunities present themselves. The $234 million market cap may scare some conservative income investors, but what they fail to understand is that small-cap REITs are nowhere near as risky as small-cap stocks of the same size.

While Inovalis is undoubtedly on the cusp of a huge growth spurt, it’s going to be less risky when you consider the distribution requirements that Inovalis is subject to, management’s impressive operating track record, and the historically low vacancy rates across Inovalis’s portfolio of European properties.

At the time of writing, the security is off less than 6% from its high. As far-fetched as this may sound, Inovalis may stand to reward you with decent capital gains to go with its already generous 8.3% distribution yield that will likely swell further as growth initiatives allow room for further distribution raises.

Foolish takeaway

These two mega-yielders may seem too good to be true, but they’re not. They’re long-term winners that will not only be able to support such large payouts over time, but they’ll be able to grow it at a rate that most would put most other larger REITs to shame.

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