



How to Turn Your TFSA Into a \$1,000/Month-Paying Tax-Free Income Stream

Description

Your TFSA is [an invaluable tool](#) that can do incredible things that are unfathomable to most investors who aren't fully educated on the vehicle and how it stacks up against other registered investment vehicles, like the RRSP.

Simply put, the TFSA is one of the best ways for Canadians to [grow their wealth](#). The proceeds within a TFSA are not only untouchable by the tax man (except for very rare cases), but they're able to experience amplified effects of long-term tax-free compounding, which, over the long term, makes a tonne of difference relative to compounding that's subject to taxation.

And most importantly, unlike the RRSP, there aren't as many strings attached, which is a massive plus for younger investors who value convenience and flexibility over long-term commitments that may be subject to harsh penalties at some point down the road.

Compounding by itself is a powerful effect over the long haul, but with taxation taken out of the equation, the effects can only be described as profound. And while the RRSP is right for certain folks given their unique circumstances, I believe the TFSA is the most robust "one-size-fits-all" solution for most investors.

While it's a common goal of maximizing wealth creation within the TFSA, many retirees or soon-to-be retirees are likely wondering how their TFSAs can turn into a passive-income stream that can bring home the bacon after they've decided to hang up the skates in the workforce. While the "tax-free" effect of a TFSA may seem less impressive over the near to medium term, only when one's TFSA swells into the triple-figure mark does it become more evident that the "tax-free" effect makes a world of difference.

Consider **Inovalis REIT** ([TSX:INO.UN](#)), a small European-based REIT with a sustainable payout and a massive 8.23% distribution yield. The security, while under the radar of most investors, is one of my top income stream candidates, not just because of the high yield, but because of the trust's better-than-expected growth profile that'll allow the trust to keep raising the distribution on a fairly consistent basis.

If you're an investor who's been able to contribute to your TFSAs every single year, while using the

proceeds to invest in equities, you could have accumulated enough funds to construct an income stream that could boost your monthly income by around \$1,000 without even realizing it.

While investing in +8%-yielding securities may seem like a risky endeavour, especially if you're looking to exit the workforce earlier than expected, it's important to realize that with the rising interest rate environment, the yield bar has been raised, and there are now many high-quality securities like Inovalis out there that can not only sustain such a high payout but can continue increasing it on an annual basis.

A month ago, I'd highlighted the fact that Inovalis was on the cusp of a big low-risk growth spurt. As a relatively small REIT, Inovalis has a growth advantage over its larger peers. With Inovalis's higher level of agility and its competent management team, the REIT can effectively become a low-risk growth play and a high-income play at the same time.

Of course, there are many other super-high yielders with significant capital gains potential, but odds are, you'll be dealing with a firm with plenty of "baggage" that could introduce a higher degree of risk to an income investor's portfolio.

Indeed, Inovalis is a rare breed of security, and if you are looking to construct a big tax-free income stream, I'd strongly urge you to consider Inovalis as one of its top constituents.

Foolish takeaway

A \$1,000-per-month, tax-free income stream may sound far-fetched on the surface, but if you've already accumulated a triple-figure TFSA portfolio, you already have the ability to grant yourself such a raise. Moreover, with securities like Inovalis, your income stream could stand to get a raise, possibly every year going forward — something that's just not possible with most jobs out there that experience wage growth that's on par with the rate of inflation.

While Inovalis isn't a one-stop-shop holding for an income stream, it definitely should be seen as a core holding for those who value yield, long-term growth, and stability.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2019/02/12

Author

joefrenette

default watermark

default watermark