How to Turn Your Next $6,000 TFSA Contribution Into $500 in Annual Income

Description

It's disappointing to hear of Canadians who merely use their TFSAs to park cash or various other low-return financial instruments. It's *always* a good idea to have dry powder on the sidelines, but a lot of Canadians are all dry powder with little to no equity exposure within their TFSAs.

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Yes, it hurts to lose money in a TFSA given that said losses can't offset capital gains elsewhere. But by choosing *not* to invest with a great portion of the proceeds within your TFSA, you'll surrender the advantage of not having to pay taxes on locked-in capital gains.

Over the years, your gains could be huge, and the ability to tell the taxman to take a hike makes the TFSA an invaluable tool for young investors who are able to leverage its full power.

The market environment today is pretty scary with recession woes, pessimistic headlines while the markets flirt with all-time highs. And although it makes sense on paper to wait until after the crash that'll accompany the next recession, it's nearly impossible to do, especially if you're a beginner investor who doesn't know what it's like to witness paper losses mounting in real-time.

You don't need to invest in growth stocks to do well with your TFSA over time. You can turn your TFSA into a producer of passive income and ignore the short-term moves in share price entirely.

In fact, as a beginner, tuning out is actually encouraged because if you watch enough talking heads on TV, you'll eventually run into a doomsayer who'll scare you into making a rash, and irrational decision.

Rather than trying to buy low, and sell high, it may make more sense for you to buy and hold high-income securities like **Inovalis REIT** (TSX:INO.UN), a European-focused real estate play with a massive 8.2% distribution yield.

I'm sure you've heard that the pursuit of chasing yield is a losing one. While Inovalis' yield is indeed the main attraction to shares, it's not another artificially high yielder whose dividend is skating on thin ice.

Inovalis is off just 4.5% from its all-time high and is thus a super high yielder by design. The REIT's AFFO is more than enough to support its high distribution, and with plans to grow its property book further over the next few years, AFFOs and distributions could be in for further growth.

The REIT has an impressive portfolio of French and German properties primarily within the office real estate sub-industry. The REIT is small enough to grow faster than its more mature peers with lower yields. The only thing that you may not like about the name is the lack of capital gains over the years.

Shares fluctuated, only to end where it started over the past five years: no capital gains, but investors have still walked away with sky-high distributions. In this kind of environment, where the market is headed nowhere fast (with a potential recession looming), it makes sense to collect a big payment that'll be yours to keep no matter what.

Buy and hold Inovalis and the 8.2% yield will add nearly $800 to your annual income. And the best part? If held within your TFSA, that income will be tax free! So, depending on your tax bracket, such a payout could be worth well over $1,000 before tax!

Who would say no to such a raise — those who intentionally choose to go all-in on cash and cash equivalents in their TFSA. That's who.

Stay hungry. Stay Foolish.

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