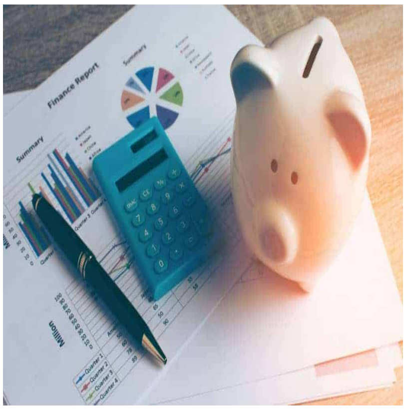

3 Safe Ways to Earn 5% Income on Your TFSA Savings

Description

Interest rates on savings are abysmally low. The so-called high interest savings accounts in Canada offer rates between 1.5% to 3%, with some promotional benefits if you're lucky. However, those rates are simply not enough to fund a retirement and generate enough passive income to meet regular expenses.

According to data published by Statistics Canada, the median net worth of Canadian families was $497,000 in 2016. Considering the growth of the stock market and appreciation in real estate since then, it may be fair to assume the median family is now worth more than half a million dollars.

However, at a 3% interest rate, the median family can only generate $15,000 a year in passive income. Never mind the fact that a large portion of the average family's wealth is trapped in the primary residence, which earns no return. So, savers need to look for other ways to boost their passive income without taking on too much risk.

Here are a few ways to generate at least 5% a year from savings without risking heavy capital losses or sudden dividend cuts.

Real estate funds

It's no secret that real estate offers an alternative for investors seeking higher income than bonds or savings accounts on a regular basis without the risk of losing excessive capital in stocks. Publicly listed real estate investment funds (REITs) offer the most convenient package for income-seeking investors.

However, a sudden crash in the housing market or a spike in the interest rates on mortgages could leave some REITs exposed to downside risks. The best way to avoid these risks is to seek out a REIT that's diversified beyond the residential market, has expanded abroad, and has a robust balance sheet with low debt.

Brookfield Property Partners fits the bill perfectly. The company is backed by one of the largest asset management companies on the planet and has properties ranging from offices to multi family homes spread across four continents. At its current market price, the stock offers a 4.97% dividend yield — tantalizingly close to our benchmark 5%.

Boring dividend stocks

I firmly believe that boring companies make the most exciting investments.

These companies tend to offer products or services that are so mundane that barely anyone enters their market, and so critical that customers keep buying them, even in economic downturns.

Take **Transcontinental**, for example. The company is North America's largest flexible packaging provider and Canada's largest printer. This means it makes the plastic tubes for toothpaste and cling film for groceries. It may be fair to say that people don't buy fewer fruits or tubes of toothpaste when a recession hits, which makes the company's 5.94% dividend yield remarkably robust.

Royalties

There are plenty of creative ways to generate income that do not involve real estate or dividends. Royalties for trademarks and intellectual property are perhaps the best examples.

Canada's second-largest fast-food chain, **A&W**, offers this option through its royalty fund. The company offers its franchise to small- and medium-sized operators across the country and takes a 3% cut of their annual revenues. This allows it to sustain a hefty 4.85% dividend yield at the current market price.

Another example is private equity firm **Alaris Royalty**, which offers cash to small- and medium-sized businesses in exchange for preferred stock with no voting rights. Entrepreneurs agree to pay the company a preferred rate of dividend so that they can retain greater control of their company and keep their leverage ratio low.

Alaris offers an 8.6% dividend yield at current market value.

Bottom line

If you know where to look, there are plenty of opportunities to generate passive income without risking your nest egg.

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