TFSA Investors: How You Can Create a $4,500/Year Passive Income Stream Today

Description

As of 2019, Canadians have $63,500 in TFSA contribution room, which can be used to construct a tax-free income stream that can add another $4,500 to your annual income.

default watermark

While others try to time their entry into and out of this volatile market with the hopes of making a quick buck, you can collect a steady stream of monthly income payments that doesn't depend on positive market-propelling events, which may never happen.

So, if you're ready to stop playing the markets and would rather get paid to sit on your bum, look to stocks like **TransAlta Renewables** (TSX:RNW) or REITs like **Automotive Properties REIT** (TSX:APR.UN), which sport towering yields of 6.8% and 7.2%, respectively, at the time of writing.

With a $63,500 TFSA invested in the two names, you'd have a 7% average yield that'd result in around $4,500 per year or $375 per month in passive income. And best of all? The income is entirely free from taxation.

Let's have a brief look at the two names to see which one is a good fit for your TFSA.

TransAlta Renewables

TransAlta is growing at an astounding rate for a company with such a massive dividend payout. The renewable energy kingpin has averaged 25% and 6.5% in revenue and net income growth over the last three years, which is nothing short of remarkable.

Management is shooting for an 80-85% payout ratio, so after its debt-load is chipped away at a bit more, investors should expect to be handsomely rewarded with further dividend hikes down the road, as new projects prop up the firm's bottom line.

At the time of writing, TransAlta Renewables trades at just 11.5 times EV/EBITDA, which is still a low price to pay for the calibre of business you're getting. The stock is now up over 40% from its December bottom, but still represents significant value for those looking for a promising high-income ESG play.

Automotive Properties REIT

I'm not at all a fan of the auto industry as we head into the latter stages of the economic cycle. We may have already reached peak auto, which has many investors throwing in the towel on the auto dealers and the manufacturers in particular.

Automotive Properties REIT (TSX:APR.UN) may be in the business of leasing to auto dealerships, but it's not as fickle as its name suggests. The REIT has one of the most attractive lease books out there with an average 13.7 year weighted average lease term at the end of the second half.

So, if a recession were to hit next year as many so-called experts believe, Auto Properties REIT would still collect rent from its tenants as if the economy were still in tip-top shape. So, the generous distribution is a lot safer than most would give the REIT credit for.

Moreover, Auto Properties REIT refers to itself as a growth-oriented REIT, meaning income investors can expect a higher frequency of distribution raises than your average diversified REIT. As opportunities arise within the dealership property niche, Auto Properties will be in a good position to bolster its AFFO further.

Foolish takeaway

default watermark

Even if you haven't been topping up your TFSA consistently and using the proceeds to invest over the last decade, you still have the ability to construct an income stream that can pay you $4,500 per year in tax-free income.

If you'd rather collect income and not worry about short-term market movements, look to high-yielders like TransAlta Renewables and Auto Properties REIT, two studs that can cut you a fat cheque every month.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/16
Date Created
2019/10/10
Author
joefrenette

default watermark

default watermark