



TFSA Investors: Create Your Own \$500/Month Passive Income Stream... Today!

Description

One of the things that can really supercharge your wealth inside your TFSA is to invest in some of the market's top [dividend stocks](#).

The beauty of dividends is they usually keep on chugging away, no matter what the underlying stock is doing. This passive income is a nice source of new investment dollars that you can immediately put to work, which will start the compounding effect that will eventually make you rich.

Dividends are even more useful once you hit retirement age. They represent the easiest way to convert your capital into income.

This article will show investors how they can use their TFSA to create a \$500 per month tax-free income stream. Let's take a closer look.

TFSA rookies

Don't fret if you haven't been steadily investing in your TFSA. Even late starters can create some serious passive income.

The current contribution limit is \$63,500, assuming you were at least 18 years old back in 2009. You can take that capital and make one giant lump-sum TFSA contribution, put that cash to work, and instantly create a \$500/month passive income stream as long as the investment yields 9.5%.

That's a very high yield, especially in today's world of low interest rates. But it's not impossible to find stocks that yield that much.

One of the safer double-digit yields available on the TSX today comes from the **Canoe EIT Income Fund** ([TSX:EIT.UN](#)), a closed-end fund that uses a combination of debt and covered calls to generate some eye-popping yields. Shares currently pay \$0.10 monthly, which works out to an 11.7% yield today.

You might think such a payout is risky, but this fund has paid a consistent dividend since its IPO back in 1997. It has maintained the current distribution since 2009, too. Investors must remember that this fund doesn't need to reinvest back into growing a business, so it's free to pay every nickel of earnings back to investors in the form of succulent distributions.

Putting all \$63,500 of your initial TFSA capital into this fund would generate just over \$7,400 in annual income, which works out to just over \$600 per month. That's enough to generate our \$500 per month goal with ample room to spare.

TFSA veterans

Perhaps you've already been regularly contributing to your TFSA and you've grown the account beyond the initial contribution room. Congratulations, your path to a sustainable \$500 per month income stream is much easier.

If you've grown your TFSA to \$100,000, you'd need just a 6% yield to convert the capital into a \$500/month income stream. One interesting stock that pays a 6% distribution today is **Plaza Retail REIT** ([TSX:PLZ.UN](#)).

Plaza's portfolio is primarily invested in Ontario, Quebec, and the Atlantic provinces. It consists of more than 8.4 million square feet of retail space. Top tenants are major grocery chains, drug stores, and restaurants. The majority of the portfolio is in open-air retail plazas, but the company also has significant single-use holdings as well, which are primarily restaurants. Current occupancy is in the 96% range.

The company has been a steady grower over the years, creating value by making smart acquisitions and through its own internal redevelopment plan. In fact, Plaza has current plans to either build or renovate some 1.4 million square feet worth of space, and management targets 8%–10% returns on capital on these projects.

This steady growth has translated into consistent distribution increases. Plaza has hiked its dividend each and every year since 2003, increasing the annual payout from \$0.08 per unit to \$0.28 per unit. Look for 2019's dividend increase to become official soon.

Finally, another interesting thing about Plaza is that the company has attracted the attention of billionaire real estate guru K. Rai Sahi and his holding company, **Morguard**. The two related parties own some 15% of Plaza shares, and were buying as recently as September.

The bottom line

Turning your TFSA into a long-term [cash cow](#) isn't particularly hard. The key is to choose stocks with sustainable dividends – payouts you can depend on. Both the Canoe EIT Income Fund and Plaza Retail REIT fit that important criteria.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:EIT.UN (Canoe EIT Income Fund)
2. TSX:PLZ.UN (Plaza Retail REIT)

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