



Retirees: Earn \$600/Month in Tax-Free Pension Income in Your TFSA

Description

While everyone has their own take on retirement, after working hard your whole life, it's a well-earned break.

After all, you can make up for all the lost time that you spent working. That said, a carefree and breezy retirement depends a great deal on your income streams. As a retiree, your primary income stream might've dried up, and it's time to start a new one.

The best way to do it is with TFSA. If you and your spouse had started a TFSA when it became available in 2009, you might have had a nice little nest egg by now.

But even if you haven't, using the combined contribution limit of your TFSA, you can create a \$600 monthly income generation that's completely tax-free.

The combined contribution limit of a couple is \$127,000 right now. That's a decent sum, but it won't help you generate a sizeable income using only interest. You must find stocks with a high dividend yield and a stellar dividend history so you know that your dividend-based income isn't going anywhere.

Two stocks that can help you create a \$600 a month income using your \$127,000 investment are **Keyera** ([TSX:KEY](#)) and **Laurentian Bank** ([TSX:LB](#)).

A midstream energy company

Keyera is a natural gas gathering and processing company that works on a pay-for-service model. It's a major service provided to oil and gas producers. Compared to many in the sector, it's a small company, but its dividend yield packs quite a big punch.

Currently, the dividend yield is 5.78%, and Keyera has increased dividend payouts for seven consecutive years. Despite the high number, the payout ratio is relatively stable at 67.4%.

With your investment, this yield will get you a monthly payout of \$611. It's a decent enough some to

contribute to your comfy retirement, and its beta of 1 should also put you at ease concerning its stability.

Currently, Keyera is trading at a monthly high of \$33 a share at writing. If it follows the yearly growth of 18.5%, you stand at a chance of increasing your capital gains as well.

A bank that's *not* in the Big Six

With a market cap of about \$2 billion, Laurentian Bank is quite small compared to the Big Six, albeit it does share the banking sector's other solid values: stability and high dividend yields. As of now, the dividend yield of the bank is 5.7%, and a stable payout ratio of 65%.

Laurentian has increased dividend payouts for 11 consecutive years. With the current yield, you'll earn a monthly sum of \$603 a month.

At \$46.3 a share, the bank has shown a 12.5% increase in market value from the same time last year. At a price-to-book ratio of 0.85, the bank is relatively undervalued.

Foolish takeaway

Earning a good monthly income through well-paying dividend stocks is easy if you only look at the dividend yield. But finding a stable stock that won't cut its dividend payouts in harsh times requires a closer look.

Laurentian Bank and Keyera are both stable stocks with good history through bad times, and they deserve to be considered for the generation of your tax-free pension income.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. TSX:KEY (Keyera Corp.)
2. TSX:LB (Laurentian Bank of Canada)

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Author

adamothonman

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