How to Earn $3,676/Year TFSA Income That Canada Revenue Agency Won't Tax

Description

Entertainment has been one of the fastest-evolving industries in the past two decades. For millennials who remember a time before live streaming, movies started with cinema and video cassette tapes. It wasn't long after the arrival of DVDs that many video cassette-dependent entities had to close shop. And it didn't even take that many years for live streaming to make DVDs obsolete.

But through all this, the big screen has continued on its slow march. There has been a decrease in the number of movie-goers since the advent of streaming services like **Netflix**. But there is still some life left in the cinema industry — life enough for a cinema company, **Cineplex** (TSX:CGX), to let you earn $3,676 a year through its generous dividends.

Dividend-based yearly income

Cineplex is dividend royalty. The company has increased its dividend payouts for eight consecutive years. Although the current yield is low compared to the monstrous yield from the previous year, it is still a benevolent 5.29%. The sudden slash in the yield came with the company's market value jumping 41% overnight thanks to an acquisition offer by **Cineworld** from London, the second-largest cinema chain on the globe.

If you use all of your TFSA savings, $69,500, the current yield is enough to get you a decent sum of $3,676 a year, or about $306 per month. The sum is nearly enough to cover the utility and internet expense of a regular household.

Why Cineplex?

Cineplex's market value is nowhere near where it was in mid-2017. Like all other cinema chains, Cineplex also took a hit when streaming became a norm. In fact, as a monopoly in the Canadian cinema industry, Cineplex has taken a more severe hit, as it was the only company standing tallenough to take the blow. Still, Cineplex never once slashed its payouts. And now, the company mayhave found solid footing.

And if we compare it to **AMC** Entertainment, the largest movie theatre company in the world, Cineplex's decline over the same period was actually less drastic. And that's before the acquisition offer.

The offer from Cineworld to buy the country's cinema giant for $2.8 billion, including debt, might be an indication of a brighter future. Through this acquisition, Cineworld will become the largest cinema chain in North America by absorbing Cineplex's 1,676 screens under its banner. The company also has plans to introduce subscription services to Cineplex consumers. The subscriptions allow users free access to 2D movies and discounts on 3D movies.

AMC introduced a similar model, and it has been very successful. Cineplex also has the option of finding a better deal within seven weeks. However, even if it doesn't, and the agreement with Cineworld goes through, investors are still looking at a lucrative future with strong chances of continually increasing dividends.

Foolish takeaway

Entertainment is almost always a thriving business. And under a global giant like Cineworld, Cineplex might have the resources for updating existing facilities for upcoming entertainment technologies like augmented and virtual reality. If the company stays on point, your yearly income through dividends from Cineplex will hopefully keep increasing in years to come.

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Date
2025/09/04
Date Created
2020/01/02
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