



TFSA Investors: These 3 Stocks Pay TAX-FREE Cash Every Month

Description

Many investors have a similar plan for retirement. They plan to turn their TFSAs into income machines, loading up the account with Canada's best monthly dividend payers and then withdrawing the cash periodically.

This has one major advantage, of course. Any withdrawals from a TFSA will be able to be done on a tax-free basis, meaning if you plan to withdraw \$5,000 per month from the account a few decades from now, you'll net \$5,000. That's the equivalent of making \$7,500 or so in monthly income from traditional sources.

There's no reason to wait until you're older to start building this income stream. Here are three great Canadian monthly dividend payers that should provide years of steadily increasing dividends for years to come, making them a perfect choice for a [long-term plan](#) inside a TFSA.

Crombie REIT

Real estate investment trusts are generally known to be pretty stable. Grocery-anchored real estate is among the most secure of this already safe sector, meaning I like **Crombie REIT** ([TSX:CRR.UN](#)) as a long-term investment here.

Crombie primarily owns property rented by Sobeys and Safeway grocery stores, with a total portfolio of 284 properties and 17.7 million square feet of space. Approximately 55% of rents are paid by grocery stores, with other retailers making up the rest. This relationship makes sense; grocery stores attract a lot of foot traffic, which then benefits other tenants.

The company's main focus today is a development program that allows it to fully maximize its assets. It has an additional 11 million square feet of space in various stages of planning, including more retail space as well as residential apartments. These projects should also contribute to the bottom line as they come online, which should result in long-term dividend growth.

Crombie's yield today is 5.7%, an excellent long-term payout. Shares also trade at a small discount to

net asset value.

A&W

A&W Revenue Royalties Income Fund ([TSX:AW.UN](#)) owns the trademarks behind Canada's second-largest burger chain — a company that boasts nearly 1,000 locations. The income fund receives a portion of the franchise fees paid by restaurant operators, cash which it then passes through to investors without the latter having to deal with operating expenses.

It translates into a solid dividend yield. Shares currently pay a little under 5% annually, offering a payout of \$0.159 per share every month.

There's potential for the distribution to increase over time, too. The company keeps adding new restaurants to the royalty pool, including 44 locations at the end of 2019. And it has the potential to keep increasing same-store sales — a key metric of success in the restaurant world. 2019 saw some terrific results — including a 10% bump in same-store sales in one quarter — but sales lately have been more flat, as a tepid Canadian economy has impacted the top line.

A&W has been one of the top stocks in Canada since 2005, posting a compound annual growth rate of 14.85% including reinvested dividends. That's enough to turn a \$10,000 investment into one worth \$75,838.

TransAlta Renewables

[Renewable energy](#) has been one of the hottest sectors on the Toronto Stock Exchange over the last year, and with investor cash more interested in it rather than dirtier sectors like oil, look for the trend to continue.

That's just one piece of a very compelling **TransAlta Renewables** investment thesis.

The company has one of the strongest balance sheets in the entire sector — an advantage it's starting to exploit by investing in some pretty major growth initiatives. It plans to invest nearly \$1 billion into a half-dozen new projects that will become operational this year and next. It also has potential to acquire additional assets from its parent company, **TransAlta**, as well as from other sellers.

These new projects should help Renewables increase its bottom line, which could result in the company's first dividend increase in a few years. The current payout is 5.5%, and the dividend is \$0.07833 each month.

The bottom line

If you're looking to build a tax-free income stream from your TFSA, add great stocks like Crombie, A&W, and TransAlta Renewables to your account today. Your future self will thank you.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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