



## Earn \$1,100 in Monthly Income With \$150,000 and Don't Pay a Dime in Tax!

### Description

The Tax-Free Savings Account (TFSA) was a gift to Canadians to help them build their capital without the insidious, wealth-eroding effects of taxation. If appropriately leveraged, the TFSA can make a profound difference over the long run. Yet still too many able Canadians aren't contributing the full amount and may not be using the TFSA effectively.

### The savings account that's not meant for *just* saving

You see, despite the name, the TFSA isn't just a savings account. It's intended for Canadians to invest across a wide range of assets, so they'll be able to grow a nest egg for themselves that's also convertible into a tax-free [income stream](#). Today's retirees enjoy CPP and/or OAS pensions, but for young investors, the social security safety net may not be as wide as it is today.

As such, Canadians need to stay disciplined with their TFSA contributions, topping it up whenever possible and using the proceeds to invest, preferably in higher-return "risky" assets like equities, REITs, royalty funds, index funds, and equity-based ETFs, rather than hoarding cash and bonds, which just don't offer enough growth in the era of rock-bottom interest rates.

If you were of age when the TFSA came to inception just over 11 years ago, you should have just shy of \$70,000 if you held cash or risk-free assets. However, if you'd invested systematically in something as simple as an **S&P 500** index fund, you may be fortunate enough to find yourself sitting on a much more significant sum, as the TFSA came to be at the best possible time: in the depths of the Financial Crisis.

To give you an example of just how profoundly powerful the income generation of a TFSA can be, consider a TFSA with \$150,000 of capital. If invested in a basket of securities yielding 8-9%, one would stand to realize tax-free monthly income payments well north of the \$1,000 mark.

In a prior piece, I went into detail on how +7% yielders are [safer](#) than most make them out to be, especially for younger investors who can take on more risks. You can stretch your yield, not at the expense of safety, but at the expense of growth. The trade-off is even more pronounced with a royalty

fund like **Pizza Pizza Royalty** ([TSX:PZA](#)), which can help your TFSA income fund get over the 8%-yield mark.

A royalty fund has a capital return structure that's highly attractive to income-oriented investors. But more money in the pockets of shareholders means less capital available to invest in growth initiatives. In a prior piece, I'd noted that with fast-food firms, within the pizza sub-industry in particular, it's important to invest in growth initiatives to gain an edge in the fiercely competitive market.

Have we entered an age where fast-food firms are tech companies that just happen to sell fast food? If that's the case, Pizza Pizza is at a disadvantage, because of its overly generous royalty company structure. And over the years, Pizza Pizza has paid the price, with shares falling substantially amid rising competitive pressures and a sluggish Canadian economy.

That said, Pizza Pizza's decline has been excessive, to say the least. Its shares lost over half of their value from peak to trough, and the yield suddenly broke the 9% mark. Today, shares look to have bottomed out, with a yield sitting at 8.9%. With innovative offerings like cauliflower crust pizzas and heart-shaped pizzas for Valentine's Day, Pizza Pizza has done a decent job of innovative and investing in marketing as well as growth given the constraints as a royalty company.

There's nothing horrifically wrong with the company by any means. As Canada's economy looks to bounce back after an uneventful year, I think Pizza Pizza shares have a lot of room to run and that the 9% yield will revert to (or below) the 6% mark.

## Foolish takeaway

Pizza Pizza alone can help you get \$1,100 a month in tax-free income, but investing a substantial sum in one security is never recommended. There are many other high-yielders like Pizza Pizza out there and specialty income ETFs that can help you build the perfect income-generating TFSA fund.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:PZA (Pizza Pizza Royalty Corp.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## Category

1. Dividend Stocks
2. Investing

## Tags

1. Editor's Choice

## Date

2025/07/06

## Date Created

2020/02/20

## Author

joefrenette

default watermark

default watermark