TFSA Investors: How to Earn $1,350 a Month With $100,000 and Pay ZERO to the CRA

Description

Good news for all the Tax-Free Savings Account (TFSA) savers who've been making regular contributions over the years: The coronavirus (COVID-19) market crash has allowed TFSA investors to get larger dividend yields for a lot less.

While the risks of a dividend cut raised across the board, today's erratic environment allows for stock pickers to reach for higher-quality super-high-yielders without having to risk their shirt. Everything has sold off viciously, even the stocks of well-capitalized companies that can sustain their payouts through the looming recession.

As in 2007-08, the risk/reward trade-off is at a once-in-a-decade high. Thus, it's possible to lock-in double the yield for half the price while you wait for a recovery that could be as abrupt as the one that followed the Great Recession.

Let's say you've got $100,000 saved up in that TFSA account.

With interest rates at rock-bottom levels, there's now a great incentive to look to the equity and alternative investment markets with valuations as low as they are. With your $100,000, you'd need to average a 16% yield to land an income stream that pays out $1,350 pay month.

TFSA investors: It just became safer to reach for yield

In a normal market environment, you'd probably need to reach out to some of the riskiest, financially distressed firms out there. They'd have a tonne of baggage, and they're probably perpetual falling knives. After the recent market meltdown, many high-quality securities sports double-digit yields that are more sustainable than meets the eye.

Moreover, given the likely overreaction to the downside in many securities, there's a greater margin of safety for TFSA investors willing to go against the grain after the broader market meltdown.

And the best part? If you invest in such high double-digit-yielding securities in your TFSA, your $1,350 per month income stream will be completely free from taxation.

Enter the beaten-up REITs

If you're looking to create an income stream for the ages after the latest barrage of market turmoil, look no further than REITs. Many REITs took on a brunt of the damage amid the coronavirus crisis. During a pandemic, tumbleweeds are rolling through many shopping centres and offices, making many retail and office REITs tough to own.

Add uncertainties regarding the inability of tenants to make rent into the equation, and you've got the formula for a violent sell-off in the REITs across the board.

The pandemic has caused many sectors of the market to tumble like dominos; not even REITs, which are known to be stable, lowly correlated alternative investments, were immune from the turmoil. As the pandemic inevitably subsides, I do see the masses returning to retailers and offices in droves.

Many self-isolating Canadians are likely suffering from cabin fever, and once it's safe to do so, they'll be heading back to work and enjoying the physical presence of friends.

TFSA investors: A real estate kingpin that's collapsed far more than it should have

A diversified REIT like **H&R REIT** (TSX:HR.UN), which is heavily exposed to both retail and office properties, is just one of many REITs that have suffered an unprecedented collapse in share price over the past few months.

And given the quality of the assets and the temporary nature of H&R's pressures, the selling is now overblown beyond proportion.

Even though it may not seem like it, H&R owns some top-tier properties; even if a handful of tenants are unable to renew their leases, shares of the real estate kingpin will likely rise again come the next expansionary cycle. While the REIT's collapse was violent in 2007-08, so too was the recovery.

I expect the same outcome this time around, so if you've got the time and the TFSA cash, now is looking like a great time to be a buyer of shares.

Foolish takeaway

H&R REIT's yield is for TFSA investors to lock-in, and any capital gains will also be free from the Canada Revenue Agency (CRA) thanks to your TFSA.

And while you could put the entirety of your $100,000 in TFSA funds on H&R, you'd be best advised to spread your bets across many other investments that also have the highest yields they're sported since the Financial Crisis.

Even after a violent collapse, there's no excuse not to be properly diversified!

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

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

Category

1. Dividend Stocks

Date
2025/08/25
Date Created
2020/04/07
Author
joefrenette