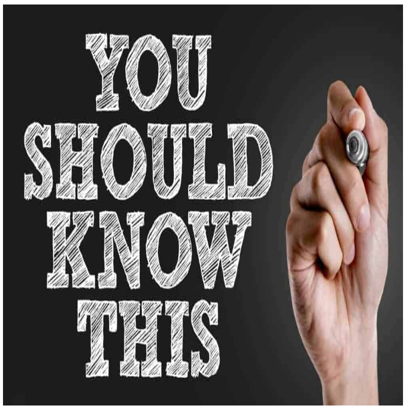

CRA Payments Not Enough? How to Get Paid $10,500 a Year in TFSA Income

Description

Many Canadians who've been regularly contributing to their Tax-Free Savings Account (TFSA) while using the proceeds to systematically invest in stocks are sitting on a lofty amount just over a decade after the account was introduced.

Let's say you've got $150,000 in your TFSA today. You may not be aware of this, but you can turn the account into a tax-free income stream that can pay you $10,500 annually.

That's a substantial sum. So, if you're an investor who's been affected by the coronavirus disease 2019 (COVID-19) crisis and need income that goes beyond the $2,000/month Canada Emergency Response Benefit (CERB) CRA payments or if you're not eligible for the benefit, consider rotating funds within your TFSA into resilient high-yield securities now that the yield bar has been raised.

There are ample Canadian securities that offer yields north of the 7% mark these days — and many of them are safer than they seem.

Averaging a 7% yield in your TFSA doesn't have to be risky if you put in the proper due diligence

While dividend and distribution cuts are becoming normalized amid these unprecedented times, the payouts of many firms are safe enough to make it through this COVID-19 typhoon, even if this horrific pandemic drags on for a lot longer than most of us believe.

To secure a safe dividend through the duration of this disruptive pandemic, you need to do more than just analyzing a firm's current liquidity position. While a thorough analysis of the balance sheet is a good way to start, prudent investors need to also consider the resilient of a firm's operating cash flows and how they stand to be impacted in a worst-case scenario.

Nobody knows how long this pandemic will drag on. And nobody knows when a working vaccine will arrive. As such, TFSA investors should consider preparing for the worst as they hope for the best with resilient firms that can support their dividends through this crisis.

KP Tissue: A somewhat decent balance sheet with an impeccably resilient operating cash flow stream

We're winding down from the first of what could be many coronavirus outbreaks. As such, it's only prudent to at least allocate a portion of your portfolio to defensive names like **KP Tissue** (TSX:KPT) that will continue standing tall should fall propel us into another several months' worth of quarantine.

KP Tissue doesn't have the best balance sheet in the world. Heck, its 0.72 quick ratio leaves a lot to be desired on the liquidity front. What entices me about KP is not its balance sheet, but its operating cash flow resilience in the face of profound uncertainty and a valuation that I believe is far too low given the glimmer of certainty (and dividend stability) the firm can offer in a time of profound uncertainty.

The firm behind the producer, distributor, and marketer of tissue products probably won't make you filthy rich, but it can help preserve your wealth amid these highly unpredictable and volatile times.

The Foolish takeaway for TFSA income investors

Should consumers sweep the shelves of toilet paper, KP may get a near-term sales boost, but that's not the reason you should own shares of KPT. I view KP as a nice hedge at a reasonable price that can provide you with safe and reliable income payments, as dividend cuts become the new norm.

At the time of writing, KPT offers a robust 7%-yielding dividend that can act as part of a sound foundation to any TFSA income stream. If you're looking to earn $10,500 annually with your TFSA, KPT can play a huge role in helping your portfolio average a 7% yield.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

1. TSX:KPT (KP Tissue Inc.)

PARTNER-FEEDS

1. Business Insider
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