Better Than CRA's CERB: How to Generate $2,000 in Monthly Income With Your TFSA Capital

Description

The Canada Revenue Agency's Canada Emergency Response Benefit (CERB) is helping many vulnerable Canadians meet the daily costs of living amid the coronavirus disease 2019 (COVID-19) crisis.

default watermark

The $2,000 monthly amount for those eligible may not be enough for Canadians living in some of the pricier Canadian cities like Vancouver and Toronto, though.

Moreover, the CRA payments, such as the CERB, will inevitably expire, and Canadians who've grown dependent on such sources of income may need to look elsewhere if they're still unable to find sustainable employment after 16 weeks.

Fortunately, the Tax-Free Savings Account (TFSA) is a sustainable way to help Canadians through this unprecedented crisis while allowing for a greater degree of security.

Your TFSA can generate monthly income that the CRA won't tax if you play by the rules!

For those who've used the TFSA as more than just a savings account over the years, the sum within the TFSA is likely quite substantial. If you've contributed to your TFSA regularly while using the proceeds to invest systematically in market-crushing stocks such as **Shopify**, through the power of tax-free compounding, you could find that your TFSA is worth well north of the $200,000 mark.

And assuming you've been investing, and conducting business trading activities (which could leave you subject to CRA penalties) in your TFSA, you'll have the option of turning your account into a provider of $2,000 in monthly income with specialty-income ETFs like the **BMO High Dividend Covered Call Canadian Equity ETF** (TSX:ZWC).

The ZWC probably has the most reliable super-high-yield on the TSX

The ETF sports a 9% yield, which briefly soared above the 10% mark at the worst of the coronavirus crash. In an era where dividend (and distribution) cuts have become normalized, it may seem foolish (that's a lower-case "f") to use your TFSA to reach for near-double-digit yields.

While it's true that many of the 9-10% yielding dividends of businesses are unsustainably high, the same is not the case for the ZWC, which invests in high-quality dividend-paying Canadian equities across the **TSX Index**.

The Canadian equities within the ZWC are screened for their dividend quality and growth profiles as much as the size of their yields.

On top of the high-quality high-yield dividends, you're getting premium income from the sale of call options on a portion of the underlying ETF's long positions. The premium income is guaranteed, but pretty much caps upside, making the ETF a loser if the stock market roars higher moving forward, rather than hovering around in limbo.

default watermark

Given that we're in a recession, I'd say the ZWC is a worthy bet at this juncture, especially since most pundits don't see the markets making a sustained move above pre-pandemic heights anytime soon. Moreover, the covered call strategy doesn't come at the cost of downside risk for investors.

As such, those who have the TFSA capital ought to strongly consider rotating funds into the 9-10% yielding ETF, if they need the monthly income.

Foolish takeaway

With a good mix of dividend stocks and a promising strategy that can give distributions a further jolt, I'd say the ZWC is a worthy pick for the income-oriented. With a $250,000 TFSA and a 10% yield, you can earn over $2,000 a month indefinitely, unlike the CRA's CERB, which will eventually expire.

Best of all, the CRA won't tax income generated from your TFSA!

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Stocks for Beginners

Date
2025/08/25
Date Created
2020/06/02
Author
joefrenette

default watermark

default watermark