TFSA Investors: Earn $536 in Monthly Income and Pay Zero Taxes to the CRA

Description

The downside of earning dividend income can be having to pay taxes on it to the Canada Revenue Agency (CRA). But it doesn't have to be that way. If you've got a Tax-Free Savings Account (TFSA) and are eligible to contribute the maximum $69,500, you can generate some significant dividend income that the CRA won't tax. As long as you're not day trading in the account and you're just leaving the TFSA and letting it grow, then the CRA will leave the income you earn in the account alone.

Pad your portfolio with dividends from this REIT

One thing that goes great with a TFSA is a real estate investment trust (REIT). REIT payouts are typically on a monthly basis and income is recurring and generally very stable. That can make REITs great investments to hold in TFSAs since they're good stocks to buy and forget about.

And there may be no better time than now for investors to add some of these high-yielding REITs to their portfolios. There's still a lot of panic in the markets relating to COVID-19. Many businesses have been struggling but that doesn't mean they're all about to shut their doors. The Canadian government is helping companies keep their heads above water during the pandemic and are even helping pay employee wages. That gives even the most troubled businesses a fighting chance.

Some cities and provinces are already in the process of reopening.

There's reason to be optimistic and that's where investing in a REIT today could be a move that pays off for you for many years. One example is the **SmartCentres Real Estate Investment Trust** (TSX:SRU.UN). What makes this REIT stand out from its peers is that big-box retail giant **Walmart** anchors about 75% of its centres. Having a large chain like that at a location instantly drives traffic, and that's why SmartCentres is an attractive buy.

In the company's first-quarter results, which the Ontario-based company released on May 6, SmartCentres still had a strong occupancy rate of 98%. While that was still during the early days of the COVID-19 pandemic, the high occupancy rate suggests that even if some of SmartCentres' tenants aren't able to make it through these challenging economic times, the REIT may not be in terrible shape.

Its funds from operations during Q1 rose by 8.7% from the prior-year period.

What maxing out your TFSA with a dividend this high can do

SmartCentres currently pays its shareholders a monthly dividend of $0.15417. If you buy the stock at $20 per share then your dividend yield would be 9.25%. Investing $69,500 into a stock that pays that kind of a dividend would generate about $536 in monthly income. And all of that income would be tax-free.

Diversification is important and SmartCentres is just one of many high-yielding stocks out there. Even if you can get a yield of around 8.5%, then you could earn around $500 in dividend income every month if you max out your TFSA.

Whether you're building up your savings or need to supplement your cash flow, investing in dividend stocks is a great way to accomplish either goal.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/19
Date Created
2020/06/05
Author
djagielski