Bank of Montreal (TSX:BMO) Can Help You Form a TFSA Income Stream That'll Outlast CERB

Description

The Canada Emergency Response Benefit (CERB) CRA payment has acted as a lifeline for many Canadians who've been made unemployed by the COVID-19 crisis. Although it's to be extended by another two months, with many changes likely to follow, Canadians shouldn't grow too dependent on CERB payments, because they won't last forever.

Nobody knows if CERB will be extended again should another significant COVID-19 outbreak be in the cards later in the year. As such, those growing too dependent on the CRA payment may wish to turn their Tax-Free Savings Accounts (TFSAs) into a provider of tax-free investment income that can help dampen the financial blow caused by this unprecedented crisis.

Beyond CERB: Creating a TFSA investment income stream

If you're like many Canadians and have been contributing to your TFSA every year, only to stash it in a "high-interest savings account," it's time to rotate into equities or REITs that can offer you big monthly or quarterly income that, unlike CERB or most other CRA payments, are free from the effects of taxation. Depending on how consistently you've been contributing to your TFSA over the years, you may have an income stream that's secure enough to get you through these tough times.

Now that the "yield bar" has been raised on many dividend-heavy securities, now is as good a time as any to rotate into some of the more resilient dividend payers out there. Consider the Canadian banks while they're out of favour and while their yields are swollen.

Bank of Montreal's dividend can help you create a sustainable TFSA income stream that'll last a lifetime

Bank of Montreal (TSX:BMO)(NYSE:BMO) stock led the downward charge amid the coronavirus crisis, because it's provided a large number of loans to some of the more vulnerable sectors of the economy. The bank has more than its fair share of exposure to the ailing oil and gas (O&G) scene, but with shares trading at a modest discount to book, it seems as though most investors view the premier Big Six bank as some sort of sub-par regional bank that's at risk of slashing its dividend.

Bank of Montreal is a Dividend King, and it'll likely continue its dividend payment streak past the 200-year mark within the decade. The pressures are unprecedented, as BMO looks to navigate the coronavirus crisis immediately after it had its hands full with the Canadian credit downturn.

High provisioning, fewer loans at lower margins, among other headwinds, have weighed on BMO, as well as its peers. But given the banks, including BMO, are in a profoundly more favourable positioning than they were before the Financial Crisis, I find the severe undervaluation in a name like BMO to be exaggerated.

Foolish takeaway

BMO stock sports a 5.6% yield and can form a foundation in your TFSA income stream, as you look to put your TFSA savings to work in sustainable income-generating securities. With BMO, you're getting a secure dividend that'll pay you well after CERB payments end.

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