



TFSA: You Can Earn \$800 in Tax-Free Income Every Month

Description

Who doesn't like some extra income? If you are in your mid to late-30s, you must have been in the active income cycle for over 10 years. Working harder and saving harder can help you earn your pension even before you retire. Make your money work for you through your Tax-Free Savings Account (TFSA).

Over the last 10-13 years of your working tirelessly, if you had put a \$100 note every week in a piggy bank, it would increase to \$5,200 in a year. And in 13 years, this amount would reach \$67,600. But that's not how Scrooge McDuck made his wealth.

Rather than putting it in a piggy bank, put it in your TFSA, as just putting the money in your account is not sufficient. Invest your money in businesses and properties through stocks, bonds, and ETFs and grow with the economy.

Max out your TFSA

The Canadian government launched the TFSA in 2009 to encourage its citizens to save money. Any money that your investment earns you will not be taxed under the TFSA. Moreover, you can partially or completely withdraw this money any time.

The Canada Revenue Agency (CRA) allows you to invest a specific amount in your TFSA every year. For 2020, you can invest \$6,000. However, if you have never invested in TFSA, you can just break your piggy bank, add some money, and invest up to \$69,500 this year.

Invest in growth stocks through your TFSA

The current [stock market is in favour of tech stocks](#). The COVID-19 pandemic has pushed the world online and accelerated digitization. Investing all your money in one stock is something you should avoid. Rather, put the \$69,500 in the **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)).

The XIT ETF will give you exposure to some of the best tech stocks trading on the **Toronto Stock Exchange**. It has surged 45% year to date (YTD) and is still growing. If there is a second wave of the pandemic, other stocks might take a hit but the XIT ETF will grow further.

If you had invested \$69,500 in the XIT at the start of the year, your amount would have grown to \$100,000 by now. The ETF still has the potential to surge another 50%. By investing in this ETF, you can grow your piggy bank.

If you already have a good amount of money invested in growth stocks you would be sitting on a pile of thousands of dollars. Now, if you want to quit your job or pursue your dream, which requires you to go out of the active income zone, your TFSA can help you.

Earn your pension with dividend stocks

By investing in growth stocks, you can build your principal amount. Now, it's time you put your foot down and let your savings take the charge of your living expenses. Withdraw the \$100,000 sitting in the high-growth technology ETF, and invest it in good quality dividend stocks with a seven- to 10-year history of paying stable and/or increasing dividends.

One such stock is **RioCan REIT** ([TSX:REI.UN](#)), which has a [history of paying monthly dividends](#) for the last 22 years. In these years, it has gradually increased its annual dividend per share from \$0.95 in 1998 to \$1.44 in 2019. The stock is currently down more than 40%, which has increased its dividend yield to 9.6%.

RioCan pays dividends from the rent it receives from its tenants and the proceeds it receives from the sale of the property. It pays out 65% of its free cash flow in dividends and reinvests the remaining cash to develop its properties. The REIT has a diversified tenant base, with no single tenant contributing more than 5% toward its revenue.

If you invest \$100,000 in RioCan, you will earn around \$9,700 every year in dividend income. This converts into a monthly income of \$800, while your \$100,000 remains intact. Your TFSA will make this income tax free.

Earn all your life

Warren Buffett is 89 years old and is still earning. All you have to do is give your money time to grow, and keep a check on it once in a while. It won't be long when your \$800 monthly income becomes \$8,000.

CATEGORY

1. Coronavirus

2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

PARTNER-FEEDS

1. Business Insider
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