TFSA Pension: How to Earn $422 Per Month Tax-Free

Description

Retirees certainly don't have it easy today. Not only are those who are retired likely in the group most at risk during the pandemic, but the idea of retiring early is certainly out the window. Markets are down around the world, bringing all those investments you made towards your retirement down with them.

While you might be receiving a pension, there are plenty of scenarios where retirees are simply ineligible for a pension. That means you need to find another way to bring in some income during this downturn. The best way is to find a dividend stock and combine it with your Tax-Free Savings Account (TFSA).

The TFSA is exactly what it sounds like: a place to keep your cash and invest tax free. You're able to put money away, and even if you make thousands of dollars each and every year, those gains are not claimed on your taxes. So, if you find a strong dividend stock in an industry that stands to come out of this downturn strong, that is the perfect option for retirees today.

Russel Metals

Russel Metals (TSX:RUS) is a one of North America's largest metals distribution and processing companies. The company breaks down into three areas of primary operations: metals service centres, energy products, and steel distributors.

Despite a downturn, the company has not only been stable but growing its revenue. As of its latest quarter, year-over-year revenue growth came in at 26.4%. While earnings per share are down, by 2021, the company expects EPS to be back up 153.7% to $1.20 per share. Meanwhile, sales in that time should increase 21% to $2.5 billion.

The company has a strong history of growth through acquisition, and this is likely to continue for the foreseeable future. As more cash becomes available, Russel Metals can buy up more companies, and investors will see that given back in terms of share price and, of course, dividends.

As of writing, the dividend yield stands strong at 8.33%, coming in at $1.52 per share per year. The one downside is that the company hasn't raised that dividend since 2014. But that also means it's unlikely to make any cuts and that an increase has to be in the very near future.

Bottom line

Russel Metals will continue to be a strong dividend stock for retirees looking to invest in income stocks. Meanwhile, shares still have a 27% potential upside to reach pre-crash norms. So, now would be a great opportunity to buy this stock for more dividends while the stock remains at sale prices.

A Canadian retiree with a TFSA has a maximum contribution limit of $69,500 for this year. While you should never put all your cash into one stock, if you were to take $60,000 and put it towards this dividend stock, that would give you $5,067 per year as of writing, or $422 per month in dividends.

Once you have this dividend stock under your belt, take a look at other strong TSX stocks that you can couple with Russel Metals. Diversification is key, so make sure to do your research and find stocks that stand to make huge returns once the market rebounds.

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