



TFSA Relief: How to Add \$394 in Tax-Free Monthly Income Without Losing Benefits

Description

The Tax-Free Savings Account (TFSA) has been a beneficial tool for investors since its creation in 2009. In fact, for years, retirees have been using it to make money without losing [Old Age Security](#) (OAS) payments. But did you know you can also use it to protect your benefits during the pandemic?

OAS payments

The Canada Revenue Agency has a penalty that kicks in as soon as Canadians hit a certain annual income for OAS payments. As soon as you hit that number, there is a 15% “recovery tax” triggered by the government. For the 2019 income year, that number was \$77,580, and for 2020 it will be \$79,054.

How can this happen? There are a number of ways that trigger this tax, even if you aren’t making that number. One way is through investments, including your Registered Retirement Savings Plan (RRSP). This can also happen when you have benefits coming in through the CRA during the pandemic, including with the Canada Emergency Response Benefit (CERB).

While CERB may be over, there are a few other programs taking its place. So, to make sure you don’t get penalized for making more than the CRA allows, make sure you are investing properly.

Solution: TFSA dividends

Obviously, during this pandemic, you’ll want to be bringing in as much money as possible, and a great way to do that is with dividends. But if you’re bringing in dividends through something taxable, your benefits may come to an end. However, using your TFSA you can still bring in passive income and either save it during the economic recovery or use it during this tough time.

After decades of solid growth, **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) has hit lows not seen since 2015. The stock has been hit hard due to the overall economic crisis, an oil and gas glut, and now the pandemic wreaking havoc on the company. But for investors looking for monthly income at a discount,

the stock is solid.

Pembina has decades' worth of [long-term contracts](#) to solidify its cash flow. While it certainly isn't immune to the current situation, it does have plans for a comeback. That comes in the form of its pipelines across North America, with billions set aside for these growth projects. Long term, it's unclear whether companies like Pembina will be around with environmental and societal restrictions, but right now the company is a great form of dividends during the downturn.

At writing, investors can secure a dividend yield of 7.93% in Pembina. In the last five years, Pembina has had a compound annual growth rate of 7%. Meanwhile, its shares — as I mentioned — are at a huge discount at about \$32 per share as of writing. Right now, there is an average price target of \$39.77, a potential upside of 23.7%, with a price to earnings ratio of 18.1, showing investors expect a good future for the next few years at least.

Foolish takeaway

So, what do you get from all this? If you were to take \$60,000 from your TFSA contribution room, which is \$69,500 for the year, you could put it towards this stock with room to diversify. That would give you 1,875 shares, bringing in \$4,725 for the year. That comes to \$393.75 per month in dividends that are completely safe from taxes and protect your benefits.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

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