



## TFSA Investors: How to Earn \$400 a Month of Tax-Free Income

### Description

When it comes to investing in your TFSA, one of the biggest factors will always be time. Long-term investing has proven to be one of the best strategies for investors.

This is down to a few reasons. Firstly, over the long term, the economy continues to grow. It's impossible to say what may happen to economies in the short run, but in the long run, with technological advances and increases in productivity, economies are always growing.

The second major reason is due to the compound effect. Over time, the more your money grows and the more you manage to save will contribute massively to your long-term performance. This snowball effect can be huge.

This massive compounding effect can be improved through steady [passive income](#). The income will continuously grow your TFSA's value and allow you to find new investments that will further increase your passive-income stream.

However, every percentage point matters when it comes to investing, so you'll want to make sure you are using a TFSA or some other registered account. This way, your investments in **TSX** stocks will not be taxable, which will significantly improve your long-term performance.

It's also why investors should always max out their contribution space in these registered accounts before investing anywhere else.

### TSX stock for your TFSA

As of 2020, the maximum contribution room for your TFSA if you have been eligible since year one is \$69,500. If you can max out your TFSA today, your portfolio only needs to yield 6.9% for you to generate \$400 per month in passive income.

So, you'll want to try and build a portfolio of high-quality stocks, such as **Northwest Healthcare Properties REIT** ([TSX:NWH.UN](#)), a high-yielding investment.

As the name suggests, Northwest is a real estate company focused on the healthcare sector. The company predominantly owns medical office buildings and hospitals in several different countries around the world.

The geographic diversification is key, especially since 85% of the company's revenue comes either directly or indirectly from governments. That's why it's crucial that it diversifies its exposure to each country.

In general, though, having such a large amount of revenue coming from governments is a positive for investors. It's what really helped the company to get through the pandemic generally unscathed.

Northwest uses this highly reliable income to pay its monthly dividend. That dividend yields roughly 7% today, making it an ideal stock for investors to add to their TFSA.

Its combination of high-quality assets, great management, and strong recurring income make Northwest a top Canadian [real estate stock](#).

## The compound effect

If you managed to build a \$69,500 portfolio that yielded 6.9% and held it for five years, reinvesting your proceeds only at the end of each year, by the time you started year six, a 6.9% yield would be earning you \$558 per month. By year 10, that would be over \$775, nearly double what the portfolio yielded in year one.

And this is all assuming you don't save any more money and add any more cash to your TFSA.

Adding just \$5,000 a year (less than the annual contribution limit) would see your portfolio yielding \$720 in year five and \$1,175 per month in year 10. That's nearly triple what it would yield in the first year.

## Bottom line

It's always important to invest for the long term, buy high-quality dividend stocks, and continue to save money. However, don't forget to utilize your registered investment accounts like the TFSA. This way, you will save big on taxes.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

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1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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