



TFSA Users: How to Earn \$800 in Monthly Income and Not Owe a Dime to the CRA

Description

The TFSA (Tax-Free Savings Accounts) is a powerful tool that can help you get the extra edge when [compounding your wealth](#) over the long run by taking CRA (Canada Revenue Agency) taxes out of the equation. TFSA users who've regularly contributed the maximum annual amount while using proceeds to invest in the stock market may find themselves sitting on a six-figure TFSA nest egg come 2021 when one can expect to make another \$6,000 annual contribution.

Let's say you've got a TFSA worth \$120,000. To earn \$800 in monthly passive income, you'll need to average a yield of 8% with your TFSA portfolio. While reaching that far beyond the "4% rule" may seem like one's just asking to be on the receiving end of a nasty dividend cut, I'd argue, given how down and out many COVID-hit pipelines and financial stocks are, that there remain many opportunities out there that allow TFSA investors to lock in a swollen yield without running the risk of holding the bag following a dividend (or distribution) cut.

Financial stocks breathed a collective sigh of relief earlier this month, with the big Canadian banks leading the upward charge after months of dragging their feet in the dirt, with surging provisions for credit losses (PCLs) that have been eating into the bottom line.

Battered COVID-19 recovery plays are starting to become great again

TD Bank stock was recently upgraded to outperform by analysts at CIBC, just weeks after a slew of sell-side analysts downgraded the name going into the U.S. election over the potential for corporate tax hikes (that's now less likely with no Blue Wave that materialized) and a lower-for-longer interest rate environment.

With two effective vaccines revealed earlier this month, [COVID-19 recovery plays](#) like TD Bank were made great again. I think the rotation into such battered value plays is just beginning. However, the rotation is likely to become more muted (or reversed) over the near term, as surging coronavirus cases

could spark a wave of “partial” lockdowns.

Such partial lockdowns could wreak more havoc on the economy; as would a wider-spread shutdown suffered earlier this year. Regardless, investors should look to scoop up battered COVID-19 recovery plays on a pullback, as they may represent the last shot for income-seeking value investors before the vaccine is administered and the markets, led by COVID recovery plays, get that much-awaited shot in the arm.

Inovalis REIT: A super-high yielder that can help lift your TFSA's average yield

Now, back to averaging an 8% yield for your TFSA. With yields already compressing on bank stocks and various insurers, the pipelines and hard-hit REITs may be places to look if you seek swollen but relatively safe yields in excess of 8%. Consider 9.6%-yielding shares of European-focused office property play **Inovalis REIT** ([TSX:INO.UN](https://www.inovalisreit.com)). The name sports a high yield by design and can help tilt your TFSA portfolio's average yield closer to the 8% level.

The REIT, which allows Canadian investors an easy way to invest in French and German offices, has been under tremendous pressure amid the pandemic. With France and Germany already going through a lockdown amid the latest COVID-19 resurgence, Inovalis could fall under further pressure before it can sustain a rally back to its pre-pandemic heights. Fortunately, the REIT held its own rather well in the first wave, and I think it'll keep its distribution intact, as it prepares to persevere through another wave of the storm.

If you're able to see through this wave to better days in 2021 and beyond, I'd look to accumulate shares of Inovalis now before the next leg up for the COVID-19 recovery plays, which will likely come to fruition in early 2021. Averaging an 8% yield with your TFSA isn't always safe. But in today's pandemic-plagued environment, I think the yield bar has been raised enough for investors to give themselves big raise without a high risk of running into an irreversible dividend (or distribution) cut.

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TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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