Total TFSA Limit Will Be $75,500 In 2021: Use it to Buy 2 Dividend Stocks

Description

One of the main differences between the Tax-Free Savings Account (TFSA) and the older tax-deferred retirement savings account RRSP is contribution room. RRSP allows for a more generous contribution room that varies with your income level, whereas the TFSA contribution room is a flat dollar amount. The amount is indexed to inflation and corrected to the nearest $500.

For 2021, the contribution limit is the same as it has been for the past two years: $6,000, bringing the total up to $75,500. So someone who turned 18 in 2009 or before that and hasn't contributed to the TFSA yet can contribute up to $75,500 to their TFSA. Even if the yearly contribution limit seems limited, the accumulated sum is quite substantial, and in the right stocks, it can be powerful.

Growth stocks are a good option for meeting your short-term investment goals, but if you want to create an abundance of cash in your TFSA, you might want to consider some dividend stocks.

A high-yield REIT

Inovalis REIT (TSX:INO.UN) started distributed dividends in the latter half of 2016. It's a Toronto-based REIT with a market capitalization of over $250 million. The company has a Europe-based portfolio of office properties. Most of its real estate assets are concentrated in France and Germany. The relative economic stability allowed the company to grow and release dividends at a safe payout ratio steadily.

Even now, when most companies are struggling with a dangerously high payout ratio, the company is offering a mouth-watering 9.4% yield at a 41.85% payout ratio. The third-quarter results have been encouraging. Net rental income increased compared to the third quarter last year, but the operating income decreased, partly because of the fair value re-evaluation of assets.

It's a safe dividend stock with a very generous yield. If you put a significant TFSA sum into this account, that is, $30,000, at the current yield, the stock can get you about $235 in monthly, tax-free, dividend-based income.

A mortgage investment corporation

Financial institutions, especially mortgage lenders that are closely associated with the real estate market, saw their shares weaken quite a bit. But now that that the real estate sector is recovering, so, too, are financial sector companies like **Atrium Mortgage Investment** (TSX:AI). But it's still far from reaching its pre-crash valuation, which is good news for dividend investors since it means locking in a juicy 7.4% yield.

Also, $30,000 invested in Atrium can get you a monthly dividend-based income of $185. The company doesn't regularly increase its dividends, but it has increased them five times in the past eight years. The payout ratio is dangerously close to 100%, but the company has sustained its dividends through similar payout ratios for the past five years, so it's unlikely to slash them in the near future.

Foolish takeaway

Even without straining your TFSA to its limits, you can create a monthly tax-free dividend income of $420. You can either invest it in other stocks or direct it to a cash-only emergency fund. Both Atrium and Inovalis are have shown very slow stock price growth in the past five years (before the crash), but the price *has* grown rather than fluctuating downward.

So even if you might not benefit from capital appreciation, chances are that your TFSA-based portfolio won't lose too much value because of these two stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AI (Atrium Mortgage Investment Corporation)
2. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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