Canada Revenue Agency: Earn $335/Month TFSA Income the CRA Can't Touch

Description

The Tax-Free Savings Account (TFSA) is one of the most popular registered accounts among Canadians. It was introduced in 2009 and is a top choice for residents. The TFSA contribution limit has been increased each year by the Canada Revenue Agency and for 2021 this figure stands at $6,000. It also suggests the cumulative contribution room available for eligible investors since 2009 is $75,500.

The TFSA should be used to buy blue-chip dividend stocks

The TFSA is more of an investment account than a savings account. It can be used to hold stocks, bonds, ETFs, mutual funds, and even GICs. As any withdrawals from this account aren't subject to Canada Revenue Agency taxes, it makes sense to hold blue-chip dividend-paying companies in your TFSA.

Dividend companies provide investors with a steady stream of recurring income at a time when interest rates are nearing record lows. Long-term investors can also benefit from capital gains and the power of compounded returns.

Investors need to identify stocks that are fundamentally strong and companies that generate predictable cash flows across business cycles. These companies can survive economic downturns and are unlikely to cut or suspend dividends when the going gets tough

This TSX stock is ideal for your TFSA

One quality company trading on the **TSX** is **TransAlta Renewables** (TSX:RNW). It is one of the largest companies in the renewable energy space and the global shift to green energy will be one of the key drivers of TransAlta's revenue growth in the upcoming decade.

In the first nine months of 2020, it generated $329 million in EBITDA, up 16% year-over-year while adjusted funds of operations rose $18 million to $261 million. TransAlta's cash available for distribution stood at $0.87 per share or $232 million. Comparatively, the company paid $0.70 per share in dividends for investors in the three quarters of 2020, indicating a payout ratio of 80.4%.

TransAlta Renewables stock has a forward yield of a healthy 5.32%, which means an investment of $75,500 in this company will help you derive $4,016 in annual dividend payments, indicating a monthly payout of $335.

While it does not make financial sense to invest such a huge amount in a single stock, TransAlta is just an example of a top TSX stock. Investors can use this article as a starting point for their research and identify similar companies with attractive dividend yields.

TransAlta is a large Canadian company with a market cap of $4.72 billion. It continues to expand its portfolio of cash-generating renewable assets via acquisitions. The company is part of a regulated industry allowing it to generate stable cash flows and maintain dividend payouts.

The Foolish takeaway

TransAlta owns one of the largest wind power portfolios in North America that generates over 50% of annual cash flows. It also has a presence in hydro, solar, and gas verticals. The renewable energy giant is part of a recession-proof industry that is also expanding at a fast pace.

TransAlta has long-term power purchase agreements with regulators and contractors. Its robust balance sheet, strong business model, and tasty dividend make the stock an ideal buy for your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)

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