TFSA Investors: Earn Tax-Free Passive Income of $500/Month in 2021

Description

The Tax-Free Savings Account (TFSA) is an excellent investment vehicle initiated by the Canadian government in 2009 to encourage Canadians to save money. It allows account holders to earn tax-free returns up to specified investments called contribution room. For 2021, the Canada Revenue Agency (CRA) has set the contribution room of $6,000, while the cumulative contribution ceiling stands at $75,500.

Meanwhile, if you invest the entire amount in monthly-paying dividend stocks with yields of above 8%, you can earn over $500 per month in passive income, which CRA can't touch. So, here are the two stocks with above 8% dividend yield.

Keyera

My first pick would be an energy infrastructure company, **Keyera** (TSX:KEY), which provides essential services to oil and gas producers in Western Canada. Since going public in 2003, the company has raised its dividends for 16 consecutive years at a CAGR of 8%. For November, the company has announced dividends of $0.16 per share at an annualized rate of $1.92 and an attractive dividend yield of 8.2%.

In its recently announced third-quarter results, Keyera's showed a significant sequential improvement, with its net profits and distributable cash flows rising by 88.2% and 10.9%, respectively. Further, the company had access to an undrawn credit facility of $1.4 billion at the end of the third quarter, while its dividend-payout ratio stood at 61%. Given its healthy liquidity position and improving cash flows, the company's dividends are safe.

With oil prices projected to move north next year, as the vaccine against COVID-19 inches closer, I expect Keyera's financials to improve from the next quarter. So, with the stock still trading over 30% lower for this year, Keyera would be a good buy right now.

Inovalis REIT

Inovalis REIT (TSX:INO.UN) is involved in acquiring and managing office properties in European countries, primarily located in France and Germany. Despite the challenging environment, its net rental income increased by 7.4% to $6.6 million in the recently announced third quarter. Its collection rate stood at 94% and 100% in France and Germany, respectively.

During the quarter, Inovalis REIT had leased out 10,500 square feet of incremental space, while it is still working on leasing out 152,603 square feet of unoccupied space, which forms 9.9% of its gross leasable area.

Supported by its strong cash flows, Inovalis REIT has paid dividends every month since 2013. It pays dividends of $0.069 per share every month at an annualized payout rate of $0.825, while its dividend yield stands at a juicy 9.6%. Its dividend-payout ratio is below 42%, suggesting the company has room to raise its dividends.

With life and business expected to return to pre-pandemic ways soon amid the vaccine hope, I expect the demand for office spaces could rise next year, benefiting Inovalis REIT. With its stock price trading around 20% lower for this year, I expect Inovalis REIT could deliver superior returns in the coming years.

Bottom line

The pandemic has taught us the significance of passive income, as many people lost their jobs to COVID-19. Although the government acted quickly by putting money in people's hands through the Canada Emergency Response Benefit (CERB), people with passive-income streams fared better during the crisis. Meanwhile, passive income not only comes to your rescue at the time of economic hardships but also helps in meeting your financial goals or accumulate wealth.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
2. TSX:KEY (Keyera Corp.)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/24
Date Created
2020/12/10
Author
rnanjapla