Passive Income: How to Make $15/Day the CRA Can't Tax

Description

The COVID-19 pandemic created significant problems for everyone besides the health crisis. Actions to curb the spread of the virus disrupted our lifestyles and our economy. People saw their long-term financial goals thrown into uncertainty, with millions losing their jobs.

Between the federal aid through programs like the Canada Emergency Response Benefit (CERB) and reducing expenses, Canadians managed to save a massive $127 billion in 2020. The advent of lockdowns and loss of income also led to several passive-income ideas dawning on people staying at home.

There is a way you can use your Tax-Free Savings Account (TFSA) to create a passive-income stream that the Canada Revenue Agency (CRA) cannot touch: high-yield dividend stocks. With the right combination of dividend stocks in your portfolio, you can end up earning as much as $15 per day that the CRA cannot tax.

High-dividend-yield stock

The energy sector took a massive hit due to the oil price war. The onset of COVID-19 served as salt on its wounds due to diminished demand. However, **Keyera** (TSX:KEY) still managed to pay out $317.4 million in dividends to its shareholders, despite an almost 70% decline in its revenue.

Keyera is a significant operator in Canada's oil and gas industry. The midstream energy sector operator has been running an integrated business model for 20 years. The company provides natural gas liquid gathering and processing, fractionation, storage, transportation, and logistics services, making it an in-demand business.

The company has maintained a strong financial position. Keyera's management has assured its investors that it can continue to weather the ongoing challenges due to its wide financial moat.

Tax-free passive income

Keyera is trading for $25.69 per share and paying its shareholders a massive 7.47% dividend yield at writing. Its current dividend yield is inflated due to its low valuation. Such a high dividend yield should generally be alarming, but its management is confident in the company's ability to continue paying its shareholders without a worry.

The company generates fee-for-service cash flows through long-term agreements with its clients. With 18 active gas plants that are fully operational, well maintained, and ready for the long haul, Keyera's cash flows seem secure. The company is also delving into the renewable energy sector by investing in a 25 MW solar-generation facility in the fall of 2021.

Keyera is a Canadian Dividend Aristocrat that has been growing its dividend payouts since its IPO in 2003. The company's management expects to deliver an annual return on capital of 10-15% to its shareholders next year. If you're looking to create a dividend-income portfolio in your TFSA, Keyera can be an excellent stock to consider.

Foolish takeaway

Suppose that you were eligible to invest in the TFSA since its inception in 2009, but you have not contributed to the account. In that case, you will have a $75,500 cumulative contribution room. While you should *always* diversify your portfolio with several assets, let's assume you invest entirely in Keyera shares and store your investment in the TFSA.

A $75,500 investment in Keyera could provide you with $5,640 per year. The annual dividends translate to you earning $15.45 per day through dividends alone. Any capital gains can grow your investment's value further.

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