Passive Income: How to Earn $180 Per Week in 2021

### Description

Many high-flying tech stocks have soared above and beyond their pre-pandemic highs, while many passive income investments (REITs, telecoms, utilities, restaurant royalty funds) are still a country mile away from their pre-pandemic peak levels. The recovery from the 2020 stock market crash has not been even.



And while the markets as a whole may be a tad on the pricy side, there still exist opportunities to "lock-in" a colossal yield alongside gains that are likely to come later in the year once the world heals from the coronavirus crisis.

If you're like many investors and have seen your Tax-Free Savings Account (TFSA) swell above the six-figure mark for the first time this year, then you have the power to turn it into a pretty bountiful generator of tax-free passive income. While the act of reaching for yield can be risky, this piece will only focus on securities that can allow one to get a raise without having to risk a majority of their invested principal.

## Chasing yield doesn't have to be dangerous

Chasing super-high-yielders is a dangerous game, but it doesn't have to be. Dividend and distribution cuts tend to accompany steep share price depreciation, so it's vital to pay close attention to the state of the balance sheet and how cash flows stand to be impacted in a bear-case scenario.

To earn $180 per week, you'll need to average an 8.5% yield on $100,000. And to take taxes out of the equation, it can literally pay dividends to stash such high yielders in your TFSA if you've got the room. While averaging such a high yield may seem dangerous, this piece will present two securities that can help you get more passive income without requiring you to skate on thin ice with stocks that have severely-stretched dividends.

Consider bruised European office real estate play **Inovalis REIT** (TSX:INO.UN) and one-stop-shop specialty income ETF in the **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC). Both securities sport rich yields between 8-9%. And they're not just hefty distribution cuts just waiting to happen either, especially given the recovery trajectory that lies ahead.

## Higher yields with hard-hit office REITs

While the office REIT turf comes with greater risks, I think Inovalis REIT is a top play that can help you get the raise without putting you at risk of seeing your investment or payout get cut in half. The super-high-yielding REIT has a high yield by design. In a normalized environment, the REIT tends to sport a yield just shy of the 8% mark. After climbing out of the depths of March, the office REIT sits off just under 15% from its pre-pandemic high.

Although the shot at landing big capital gains is gone, I'm still a fan of the French and German office real estate play for its sizeable yield and think it would make a great foundation for any TFSA passive income fund.

## A one-stop-shop passive income play

If you're looking for an even safer way to amp-up your income stream, the ZWC may be more your cup of tea. The ETF consists of a diversified basket of high-yield Canadian stocks with an added layer of premium income through the writing of covered calls. The covered calls essentially trade capital upside for additional income upfront.



Although the ZWC sports one of the safer 8% yields on the TSX, one must remember that capital gains will be few and far between over the long haul, given the income-for-upside trade-off. And given the stock market tends to go up over the long run, I view the ZWC as a less suitable investment for younger investors who should be focusing their efforts on long-term growth.

If you seek passive income over the nearer-term, though, it's tough to match the ZWC, especially since many of the ETF's constituent holdings are due to see relief come an 2021 economic recovery.

## Foolish takeaway

In this environment, it is possible to get more yield for less. That said, I wouldn't advise retirees to reach as far as 8% to get $180 per week, as even seemingly safe super-high-yielders can deliver modest distribution reductions under a worst-case scenario.

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**TICKERS GLOBAL**

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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