



## TFSA Pension: How to Earn \$200/Month Passive Income

### Description

The federal government introduced the Tax-Free Savings Account (TFSA) so that future and current retirees would have more than just the Old Age Security (OAS) and Canada Pension Plan (CPP) in retirement. The OAS and CPP are [monthly retirement pensions for life](#), although it falls short of the average pre-retirement income.

Canadians can build a third pillar in retirement through the TFSA to fill the income gap. Users can utilize the one-of-a-kind investment account as a passive income source to augment the OAS and CPP benefits. Most accountholders prefer to hold [dividend stocks](#) in a TFSA to have recurring tax-free income on top of the regular pensions.

If you have \$33,800 today, you can split the amount and invest in **True North Commercial** ([TSX:TNT.UN](#)) and **Rogers Sugar** ([TSX:RSI](#)). The average yield of the two dividend stocks is 7.1%. You can earn \$2,401.49 in a year if your available TFSA contribution room is also \$33,800. The amount translates to \$200.12 in [tax-free monthly income](#).

The Canada Revenue Agency (CRA) sets annual contribution limits, and since 2009, the accumulated TFSA contribution room has reached \$75,500 to date. The annual contribution limit for 2021 is \$6,000. Assuming the CRA pegs the yearly limit at \$6,000, you only need to devote \$500 of your monthly income to stay within the limit.

### Low-risk prospect

True North owns, operates, and leases out 48 commercial properties. The stock trades at \$7.36 per share and pays a generous 7.36% dividend. TFSA investors should find this real estate investment trust (REIT) a low-risk prospect because of its tenant base.

The federal government of Canada is the anchor tenant of this \$654.75 million REIT in 12 of its total real estate portfolio. Other lessees in the public sector include the provincial governments of British Columbia, New Brunswick, and Ontario. The **Toronto-Dominion Bank** and **National Bank of Canada** are among the high-profile tenants in the private sector.

The competitive advantages of True North are high credit and government tenant mix, industry-leading rent collections (95%), stable occupancy rate (97%), and average remaining lease term of 4.7 years.

## Enduring business

Rogers Sugar had recovered from weak volumes in 2020. In the first half of fiscal 2021, the \$592.23 million sugar and maple producer reported a 7.67% and 45.02% increase in revenues and net earnings versus the same period in fiscal 2020. Its sugar and maple volumes increased by 2.91% and 13.31%.

According to its President and CEO, John Holliday, fiscal 2021 should be far better than last year because of higher sugar sales. "The production improvement in maple, a higher margin product, should drive strong profitability," said Mr. Holliday

As of July 19, 2021, you can purchase a share at \$5.69 to partake of the lucrative 6.29% dividend. Sugar is a consumer staple, so the business of Rogers Sugar should be enduring. The consumer-defensive stock is a pure-dividend play. Don't expect much from a capital gain as the price hardly moves.

## Build wealth

The TFSA is a wealth builder if you can max out your limit every year. Reinvest the dividends instead of spending them. Also, your TFSA can serve as your third retirement pension. Assume further that the dividend yield remains constant, your \$33,800 today could compound to \$133,386.42 in 20 years.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:RSI (Rogers Sugar Inc.)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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**Date**

2025/08/17

**Date Created**

2021/07/23

**Author**

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