3 Stocks to Earn $1,900/Year Tax-Free in Your TFSA

Description

While it hasn't stopped anyone from earning more, an unintended consequence of earning more money is that you get to deal with more taxes. For Canadians, there is a way to earn more without the extra income weighing on the tax bill: putting income-producing assets in the TFSA.

Given that the total TFSA contribution room cannot exceed $75,500 in 2021 (unless you have created more room by withdrawing money from the TFSA), the income potential is relatively limited, even if you stick to generous dividend stocks. It's also a prudent idea to balance dividends with growth, so let's see how much tax-free income you can produce if you use less than half of a fully stocked TFSA as the capital ($30,000).

A capital market company

If you want to invest in a company that invests in other companies and aims to maximize value for its shareholders, **Alaris Equity Partners** (TSX:AD.UN) might be a good idea. The company invests in businesses (usually family businesses and startups) that require capital but are unwilling to give up control to the investor.

This idea really took off when the company originally started (after the Great Recession), and the current market might be poised for another growth phase.

As a dividend investor, your interest in the company would be more "dividend-centric." Despite an impressive post-pandemic growth run (143% returns), the company delivers when it comes to dividends. It's offering a mouthwatering 6.81% yield, and it recently grew its dividends from $0.31 per share to $0.33. If you invest $10,000 in the company, you can earn about $681 a year.

A REIT

Any comprehensive selection of high-yield dividends would be incomplete without a REIT. And though there are several choices, the aristocratic REIT **SmartCentres REIT** (TSX:SRU.UN) stands out for a few reasons. It's offering a juicy 6.04% yield right now and is trading quite near the fair price. The payout ratio is relatively stable, and it has a robust business model.

Its focus asset class — i.e., shopping centres — is a "mixed-bag" of future potential. Retail stores are facing trouble in the current e-commerce-rich environment. But some giants like **Walmart**, which anchors 115 of SmartCentres's 168 properties, are quite secure.

If you invest $10,000 in this company, you can expect a yearly tax-free income of $604.

A mortgage company

The heated housing market and low mortgage rates gave many mortgage companies in Canada the push they needed to reach their pre-pandemic valuation. One of those companies is **Atrium Mortgage** (TSX:AI). The company saw its market value rise to near its pre-pandemic levels, but the good news is that the yield remained in attractive territory.

The company is offering a yield of 6.21%, and the value is just right. And if you consider the stock pattern before the pandemic, you can expect a little bit of capital appreciation as well. At its current yield, a $10,000 investment will result in $621 a year, tax-free in your TFSA. The payout ratio is almost the same as it has been for the last several years.

Foolish takeaway

By investing $10,000 in each of the three companies, you can earn about $1,906 a year. That's a decent enough sum to cover several annual expenses, and if you don't need to divert it towards an expense, you can use it to invest more. It's $100 less than one-third of the contribution room you get for your TFSA each year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:AI (Atrium Mortgage Investment Corporation)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/02
Date Created
2021/09/25
Author
adamothman