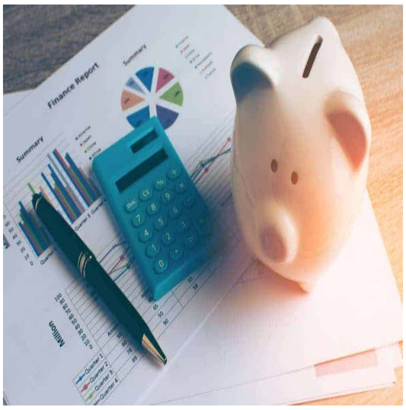

Earn $125 Tax Free for Every $2,000 in Your TFSA

Description

People will realize the effect of higher inflation when their budget for gas or groceries isn't enough anymore. According to some economists, inflation is the worst tax, because it erodes consumers' purchasing power. Fortunately, Canadians have a way to lessen the impact through the Tax-Free Savings Account (TFSA).

Maximizing the TFSA limit this year could help neutralize inflation. Apart from generating tax-free income, users can reinvest the dividends to boost their balances further. If finances allow, consider investing in high-yield royalty stocks. **Freehold** (TSX:FRU), **Boston Pizza Royalties Income Fund** (TSX:BPF.UN), and **Diversified Royalty** (TSX:DIV) pay an average dividend yield of 6.29%.

Assuming you allocate your $6,000 TFSA annual limit equally, the earning is $125.80 for every $2,000. The companies in the respective royalty pools are recovering or have recovered fully from the pandemic's impact. Thus, you'd have a financial cushion during the inflationary period.

Low-risk returns

The energy sector continues to outperform in 2022, because oil prices are still rising. Freehold Royalties benefit from the favourable environment and could duplicate its bull run in 2021. Current investors enjoy a 17.3% year-to-date gain in addition to the 5.23% dividend. Also, at $13.60 per share, the trailing one-year price return is 130.26.

This $2.04 billion company isn't an oil producer but owns quality assets (oil & gas properties and mineral titles). Freehold creates and enhances shareholder value by driving oil & gas development in its lands. The gross overriding royalties it collects are revenue boosters.

Management's selling point is lower attractive returns over the long term. Freehold has hiked its dividend for five consecutive quarters. The percentage increase in the last 12 months was 220%. Would-be TFSA investors can expect consistent dividend growth and meaningful income streams.

Vastly improved financials

Boston Pizza Royalties Income Fund reported vastly improved financial performance in 2021. In the year ended December 31, 2021, total revenue and net income rose 7.7% and 290.9%, respectively. Notably, cash flow from operating activities increased 33.3% year over year to $30.5 million.

Franchise sales likewise increased 7.6% versus 2020, despite the decrease in the number of restaurants in the royalty pool. Performance-wise, the royalty stock is up 7.48% year to date. At $16.52 per share, the $355.53 million operator and franchisor of pizza and pasta restaurants pays a lucrative 6.23% dividend.

Cheap dividend beast

Diversified Royalty is the cheapest ($3.10 per share) of the three dividend stocks, but it's a dividend beast. You can partake of the 7.16% dividend if you take a position right now.

The $378.97 million multi-royalty corporation collect royalties from six royalty partners. Mr. Lube, Mr. Mikes, AIR MILES, Sutton, Nurse Next Door, and Oxford Learning Centres belong in the royalty pool. The well-managed franchisors are on their way to recovery.

Diversified's president & CEO Sean Morrision said, "Overall, we are happy with the performance of our royalty partners as they work their way through the ongoing impacts of COVID-19." However, he noted the variability of financial performance within the group.

Maintain your purchasing power

TFSA users won't fall victim to inflation by maximizing their limits every year. The Dividend investing is a proven way to maintain purchasing power, especially if inflation remains high for a longer stretch.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:DIV (Diversified Royalty Corp.)
3. TSX:FRU (Freehold Royalties Ltd.)

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