Generate $6,520 in Passive Income: Low Risk, No Taxes!

Description

Can you add two extra months of income passively? Can you do so while limiting taxes and stock market risk? With the right strategy, this should certainly be possible. Here's how you can boost your passive income in 2022.

Stretch your TFSA

Your Tax-Free Savings Account (TFSA) is your most critical passive-income tool. Depending on your family's tax bracket, your TFSA could boost your passive income gains by 20-30%. That goes a long way in helping you meet your financial goals.

Unfortunately, most Canadians neglect this potent tool. In 2022, the average TFSA balance is just $32,234. That's less than half the maximum $81,500 that should be available to a majority of Canadian taxpayers.

Maximizing your TFSA is the first step to generating above-average passive income. The next step is to invest this sum efficiently. Most Canadian savers put their TFSA in a low-interest savings account. These accounts have struggled to keep up with inflation in recent years. Instead, investors should seek out high-yield dividend stocks to boost their passive earnings.

Pick a low–risk, high-yield dividend stock

There are plenty of high-yield dividend stocks that offer double-digit returns. However, these stocks are either risky small-cap companies or value traps with declining earnings. In a recession or economic downturn, these high-yield dividend stocks fail to live up to expectations.

Investors need to strike the perfect balance between risk and reward. One way to do this is to focus on dividend stocks with essential services and hard assets. **Slate Grocery REIT** (TSX:SGR.U) is a perfect example. The company manages real estate for American grocery chains. Rental yields on these properties have been resilient to economic cycles in the past.

Right now, Slate Grocery looks relatively undervalued. In the first quarter of 2022, Slate's net operating income surged 38.2%. Rents are expected to keep climbing in 2022. This tailwind hasn't been fully priced in yet. Slate stock is trading at just 12.8 times funds from operation. The stock also pays out roughly 80% of FFO in dividends, which implies an 8% annual dividend yield.

Deploying a maxed-out TFSA in Slate Grocery stock could generate $6,520 in annual passive income. That's as good as two months of risk-free, tax-free earnings. Investors should keep an eye on this opportunity for outsized gains.

Bottom line

Generating passive income is tricky — especially if you're a beginner deploying cash during an economic downturn. In 2022, inflation and recession could negatively impact some of the best dividend stocks.

But if you focus on high quality, robust businesses like grocery chains and commercial real estate, you could generate better returns. Slate Grocery is a top pick. Adding this high-yield dividend stock to your TFSA could significantly expand your annual passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SGR.U (Slate Retail REIT)

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. kduncombe
2. vraisinghani

Category

1. Dividend Stocks
2. Investing

Date
2025/07/20
Date Created
2022/07/12
Author
vraisinghani