



TFSA Users: Earn \$100 Every Month From 2 Income Plays

Description

Canadians with spare cash can build passive income through a Tax-Free Savings Account (TFSA). If finances allow, now would be the best time to maximize contributions to the [tax-advantaged account](#). Any tax-free income you can generate can help you cope with inflation.

TFSA users have plenty of dividend stocks to choose from on the TSX. Most companies pay dividends every quarter, but there are others whose frequency of dividend payments are 12 and not the customary four. Also, if the dividend yield is 7%, the \$6,000 TFSA annual contribution limit will produce \$35 every month.

However, assuming your available contribution room is \$17,150, the monthly passive income you can generate is \$100. **Freehold Royalties** ([TSX:FRU](#)) and **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) trades at less than \$20 per share but are good income plays, because the average dividend yield is 7.08%.

Lower-risk attractive returns

Freehold is a leading royalty oil and gas company in Canada. The \$2.06 billion dividend-paying firm owns a portfolio of royalty lands in North America. Its assets, where operators or drillers drive oil and gas development, are in eight U.S. states and five Canadian provinces.

Management's objective or strategy is to deliver growth and lower-risk attractive returns to shareholders from the overriding royalties that Freehold collects. As much as possible, it maintains a payout ratio between 60% and 80%. The royalty advantage is on full display in 2022 due to the favourable commodity pricing environment.

In the first quarter (Q1) 2022 (quarter ended March 31, 2022), royalty and other revenue increased 137% versus Q1 2021. The quarter's highlight was the net income of \$38.39 million, which represents a 581% year-over-year growth. Also, Freehold's \$71.9 million funds from operations for the quarter was its highest ever.

Furthermore, the total dividend payment of \$30.1 million was 227% higher than in the same quarter last year. According to management, the payout ratio was 38%. The robust drilling activities increased production average by 25% to 13,676 barrels of oil equivalent per day (boe/d).

Freehold's ongoing concern is to enhance its royalty portfolio through more acquisitions in the highest quality oil and gas development areas. The successful execution of its business strategy should improve the near-term and long-term sustainability of dividends, maintain balance sheet strength, and give financial flexibility. The end view is multiple years of free cash flow generation.

Resilient industrial stock

Chemtrade in the industrial sector is up 20.20 year to date, despite the business slowdown in the chemicals industry. The \$890.4 million company is one of the largest suppliers of sulphuric acid in North America. It also provides spent acid-processing services, inorganic coagulants for water treatment, and other specialty chemicals.

In Q1 2022, net earnings reached \$10.68 million compared to the \$20.44 net loss in Q1 2021. The business outlook is favourable following the announcement recently of a joint venture with the Kanto Group.

KPCT Advanced Chemicals LLC, a greenfield construction project, will build a high-purity sulphuric acid plant in Casa Grande, Arizona. It will commence in 2024 and would produce approximately 100,000 metric tons of electronic grade acid once complete.

Top up your TFSA income

Freehold and Chemtrade are pure dividend plays. TFSA investors can top up their passive-income streams with the high yields and monthly dividend payments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:FRU (Freehold Royalties Ltd.)

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Date

2025/07/21

Date Created

2022/08/10

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