



## How to Earn Tax-Free Income of \$410/Month

### Description

The rising food and energy prices are eating into consumers' earnings. Despite the measures taken by central banks worldwide, economists expect the inflationary environment to continue. So, it would be prudent to supplement yourself with a passive or secondary income to cushion the price rise. Meanwhile, investing in monthly paying dividend stocks would be a cost-effective means to earn passive income.

Investing through [TFSA](#) (Tax-Free Savings Account) would allow you to earn tax-free returns upon an investment with the remaining contribution room. For 2022, the Canada Revenue Agency has fixed the contribution room at \$6,000, with the cumulative contribution room at \$81,500. If you invest the entire amount in the following three monthly paying [dividend stocks](#) with yields of over 6.05%, you can earn a tax-free passive income of \$410 every month.

### Pizza Pizza Royalty

**Pizza Pizza Royalty** ([TSX:PZA](#)) operates Pizza Pizza and Pizza 73 branded restaurants through its franchisees. Given its highly franchised business model, the company generates stable cash flows compared to its peers. The company witnessed solid same-store sales growth of 20.3% in the June-ending quarter amid the reopening of dining spaces and non-traditional restaurants. Supported by its strong growth, the company's management has raised its dividend twice this year. With a monthly dividend of \$0.0675/share, its yield currently stands at a juicy 6.26%.

Meanwhile, Pizza Pizza Royalty's management is focusing on developing innovative product offerings, creative marketing, and expansion of its restaurants to drive growth. The company's management is optimistic about growing its restaurant count by 5% this year. Its investment in strengthening digital and delivery channels could continue to drive its sales in the coming quarters. The company's valuation also looks attractive, with its NTM (next 12-month) [price-to-earnings](#) ratio standing at 14.4, making it an attractive buy at these levels.

## Keyera

**Keyera** ([TSX:KEY](#)) connects refineries with oil wells, primarily in Western Canada. Given its midstream business, it is less susceptible to commodity price fluctuations. Its fee-for-service and take-or-pay contracts provide stability to its earnings, allowing the company to raise its dividends at an annualized rate of 7% since 2008. It currently pays a monthly dividend of \$0.16/share, with its yield for the next 12 months at 6.05%.

Meanwhile, the rising energy demand and growing exports have increased exploration and production activities, thus driving the throughput of its pipeline network. The company has a solid pipeline of projects that will become operational over the next three years. Amid these growth prospects, Keyera's management expects its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) could grow at an annualized rate of 6-7%.

Further, the company's payout ratio stands at 51%, within the company's targeted range of 50-70%. The company's financial position also looks healthy, with a liquidity of \$1.7 billion. So, considering all these factors, I believe Keyera is an excellent buy for income-seeking investors.

## Extendicare

**Extendicare** ([TSX:EXE](#)) is my final pick, which pays a monthly dividend of \$0.04/share at a forward yield of 6.67%. During the June-ending quarter, the company completed the sale of its 1,048 retirement living suites in Ontario and Saskatchewan to focus on its LTC (long-term-care) and home healthcare segments. The company received net proceeds of \$128 million from this transaction.

Meanwhile, the demand for Extendicare's services is increasing with the growing aging population and rising income levels. Its occupancy rate also improved by 1.6% on a sequential basis to 90.2% during the second quarter. Amid growing demand, the company is redeveloping 20 projects in Ontario, which will replace or add 4,248 beds. The company is constructing three homes in Sudbury, Kingston, and Stittsville at an investment of \$180.7 million. So, the company's growth prospects look healthy.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:EXE (Extendicare Inc.)
2. TSX:KEY (Keyera Corp.)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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