



## Does Your TFSA Pay You? Do This and Earn Free Income for Decades

### Description

Are you living paycheck to paycheck? Your employer pays you for the hours you work. But your Tax-Free Savings Account (TFSA) can pay you for free. It's simple math. While you work, put your money to work. And because it is the TFSA paying you, you need not report this income to the Canada Revenue Agency (CRA). So, how to go about making money from money and earning free income?

### How does your TFSA pay you?

The CRA allows you to invest in bonds, ETFs, and stocks that trade on popular exchanges, including the NASDAQ and NYSE, through your TFSA. The idea is to earn free income in the future, so you need to invest now and let that money grow. Many investors are unaware, but some regular dividend-paying stocks run dividend-reinvestment plans (DRIPs).

Under the DRIP, the company reinvests the dividend to buy more of its stock at a discounted price without any commission or transaction charge. If the company temporarily suspends DRIP, it pays out a cash dividend during that phase.

### How to earn free income from your TFSA

If you invest \$1,000 of your TFSA money in a stock that has a 6% dividend yield, your TFSA will pay you \$60 a year. Here's how your TFSA can pay you a free income of \$1,000 or more.

### Income from Algonquin Power stock

**Algonquin Power & Utilities (TSX:AQN)** supplies renewable electricity to households and industries at regulated prices and enjoys regular cash flows. The investment in [renewable energy](#) has been growing for the past few years due to government incentives, creating a favourable environment for Algonquin. The global energy crisis has shifted the focus to oil and gas but has not diminished renewable energy investment.

As the focus shifted to oil and gas, Algonquin stock fell 25%, and its dividend yield inflated to 6.6%. Even though the stock price is down, Algonquin's cash flows are growing, and the company is growing its dividend annually. It [increased](#) its dividend at a compound annual growth rate (CAGR) of 9.2% in 10 years.

If you invest \$1,000 in Algonquin today, you can buy 66 shares and lock in a \$66 annual dividend yield. This dividend amount in a DRIP program can buy you over four shares in a bear market and three in a bull market. That \$1,000 will keep working for you. After 10 years, you will have 116 shares of Algonquin that can pay you a \$228 annual dividend.

Your \$1,000 TFSA investment today can give you \$228 free income every year after a decade. And this is just the dividend part. Capital appreciation is a bonus.

If you add \$100 every month in the DRIP for the next 10 years over and above the initial \$1,000, your share count could surge to 834 shares that pay you an annual dividend of \$1,640. That's seven times more than what you can get from a one-time investment of \$1,000.

## Income from True North Commercial REIT

Never put all your money in one stock. Diversify across sectors and asset classes. **True North Commercial REIT (TSX:TNT.UN)** gives you exposure to real estate and pays a stable monthly distribution. The stock is down 17% since interest rate hikes began in March, as higher mortgage rates negatively impacted property prices. However, high inflation increased the rent spread, offsetting the impact of the property price dip.

True North Commercial took advantage of falling property prices and added one property to its portfolio, increasing the count to 47. Recession could harm its occupancy rate, but 76% of its rental income is secure, as that comes from government offices and high-credit-ranking companies.

The dip in the real estate investment trust's (REIT's) stock price has inflated its distribution yield to 9.8%. If you invest \$1,000 of your TFSA money in the [REIT](#) now, you can buy 165 shares that pay \$98 annually. If you convert your distributions into a DRIP, your share count will grow to 380 shares that pay \$224 annually after 10 years.

And if you add \$100 every month for 10 years, your share count could grow to 2,880 shares and pay \$1,700 in annual distributions.

### CATEGORY

1. Investing
2. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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