



## How a \$6,500 TFSA Annual Limit Can Produce \$470 Every Year

### Description

The \$500 increase in the Tax-Free Savings Account (TFSA) annual contribution limit will kick in January 1, 2023. [Tax-Free Savings Account \(TFSA\) investors](#) welcome the higher dollar limit, although everyone knows that high inflation has something to do with the increase. Also, the cumulative lifetime TFSA contribution limit will expand to \$88,000, not \$87,500, because of the new \$6,500 limit.

If finances allow, and you can maximize the annual limit next year, **Freehold Royalties** ([TSX:FRU](#)) and **Diversified Royalty** ([TSX:DIV](#)) are excellent options. Apart from their steady performances in 2022, the dividend offers are very generous. The former pays a 6.81% dividend, while the latter's yield is 7.63%.

The \$6,500 contribution limit can produce nearly \$470 in one year if you allocate the capital on the two royalty stocks as follows:

Company	Price	No. of Shares	Dividend per share	Total Payout	Frequency
FRU	\$15.87	200	\$1.08	\$216.50	Monthly
DIV	\$3.06	1087	\$0.2335	\$253.79	Monthly

Since both royalty companies pay dividends monthly, you'd have a combined tax-free payout of \$39.16 every month.

### Record royalty production

Freehold Royalties from the [energy sector](#) is a winning investment this year, evidenced by its 44.69% year-to-date gain. The \$2.39 billion oil & gas royalty company owns and manages royalty lands in Canada and the United States. It leases the assets to operators or drillers and collects royalties from them.

The average production volume of 14,219 barrels of oil equivalent per day (boe/d) in the third quarter (Q3) of 2022 was a new record. Management said the total gross wells drilled after three quarters is

over 750, and it expects 2022 to be the most active year for drilling in the company's history.

In Q3 2022 (three months that ended September 30, 2022), royalty and other revenue increased 83.6% to \$98.4 million versus Q3 2021. Notably, net income and cash flow from operations rose 178% and 127.58% year over year to \$63.17 million and \$99.93 million, respectively.

Freehold's ongoing concern is to strengthen the asset base, the balance sheet, and the long-term sustainability of the business. Thus far, the stock has delivered growth and attractive lower-risk returns to shareholders. Moreover, management remains excited about the near- and long-term outlook for Freehold.

## Dividend machine

Diversified Royalty is the cheapest dividend machine on the TSX right now. Also, at \$3.06 per share, this royalty stock outperforms the broader market year to date at +16.49% versus -6.01%. The \$432.05 million multi-royalty corporation has been collecting top-line royalties from six operating companies.

Mr. Lube, a maintenance, tire, and mechanical service provider, is the largest royalty partner. AIR MILES, Sutton, Mr. Mikes, Nurse Next Door, and Oxford Learning Centre complete the diverse group in the royalty pool. In Q3 2022, Diversified reported its highest revenue (\$11.6 million) in a quarter since adopting the multi-royalty strategy nine years ago.

The adjusted royalty income of \$12.74 million for the quarter represents a 16.16% increase versus Q3 2021. Diversified will have a seventh royalty partner and the first royalty stream from the U.S. in SBS Franchising or Stratus. The latter offers master franchises for its commercial cleaning and building maintenance services.

## Perfect combo

Freehold and Diversified is a perfect combination in a TFSA in 2023. You can keep reinvesting the tax-free dividends every month for faster compounding of your balance.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:DIV (Diversified Royalty Corp.)
2. TSX:FRU (Freehold Royalties Ltd.)

### PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn

5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

#### **PP NOTIFY USER**

1. cliew
2. kduncombe

#### **Category**

1. Dividend Stocks
2. Investing

#### **Date**

2025/07/19

#### **Date Created**

2022/12/17

#### **Author**

cliew

default watermark

default watermark