Retirees: How You Can Earn Over $5,000 in Tax-Free Dividends

Description

If you have money saved for retirement, it may be a good time to start looking at your options for quality dividend stocks that you can earn a payout from.

With TFSA contribution limits continuing to rise, you have the potential to shelter dividend income from the tax man as well. This is the best feature of a TFSA, since you don't have to worry about taxes chipping away at dividends earned or capital appreciation gained while an investment is held inside the account. And although not all investments can be put inside of a TFSA, as long as a stock is in good standing on the TSX, you shouldn't run into any issues.

In order to (safely) attain $5,000 in tax-free dividends, I'd suggest you have around $100,000; otherwise, you'll have to take on some very high yields to accomplish this, which can be a bit risky.

Below are three stocks that would make great investments that can you build your dividend empire around.

RioCan Real Estate Investment Trust (TSX:REI.UN) is one of the first stocks I ever bought (and still own), largely because of its dividend and the company's stability. By investing in a REIT, you are investing in both real estate and the Canadian economy.

While it is disappointing that the stock has generated returns of just around 3% in the past year, its stability makes it a great place to store savings, since you won't expect wild swings in either direction.

With a dividend yield of 5.8%, RioCan offers a fairly high dividend for a stock that doesn't present a lot of risk. Investing $35,000 in this stock would generate over $2,000 a year in dividends, or around $170 every month. Monthly payouts are another reason REITs can be a great investment option for people looking for recurring streams of income.

Fortis (TSX:FTS)(NYSE:FTS) is a blue-chip stock that pays a bit of a lower dividend than RioCan, butit makes up for that with terrific opportunities for growth. The utility provider has been able to grow via acquisition, and with lots of cash and stable profits, Fortis can continue to absorb companies as it looks to increase market share.

If you invest $30,000 into Fortis stock, you could expect an annual dividend of at least $1,200, as the stock has a great reputation for growing its payouts.

BCE (TSX:BCE)(NYSE:BCE) is another safe stock that can provide you with some great returns. Investors have generally been down on telecom stocks this year, but that's good news for investors that want to buy BCE on the dip. The share price is down 12% since the start of the year, and that has pushed its dividend yield up to over 5.6%.

A $35,000 investment here would generate around $2,000 a year in dividends, and BCE normally hikes its payouts every year.

The dividends from these three investments would total over $5,200 every year, and in order to make those payouts tax free, you would need to maximize your TFSA. The one caveat here is that since the limit for one account is still well shy of the $100,000 needed to fully insulate all of these investments, you would need to split the investments across two TFSAs, ideally with your spouse or partner.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/27
Date Created
2018/08/15

Author
djagielski