3 Ways to Make $10,000 a Year With a $100,000 TFSA

**Description**

2019 may prove to be the “year of income investing.” After ending 2018 down 11.6%, the TSX may or may not recover this year, but the fact remains that dividend investing provides a path to income regardless of what the market does. For long-term investors — like those looking to build wealth in a TFSA or RRSP — dividend investing is particularly attractive, since it’s a game best played over a long time frame.



And now might be one of the best times in years to invest in dividend stocks. If prices fall without a corresponding fall in earnings, then dividend stocks become more lucrative, as a lower price plus an unchanged payout gives a higher yield.

Right now, some TSX stocks are so cheap that their yields are approaching 10%. This means that you can make up to $10,000 a year with these securities (tax free, if you own them in a TFSA). But to make that kind of cash with no strings attached, you need the right strategy. In this article, I’ll be reviewing three strategies for getting to $10,000 a year with just $100,000 in your TFSA. We can start with the most obvious approach.

## Strategy #1: high-yield investing

The simplest way to jack up your TFSA income is to invest in stocks with high dividend yields. One stock yielding close to 10% right now is **TransAlta Renewables** (TSX:RNW), which yielded 9.03% at the time of this writing. All it would take would be a slight drop off in the stock price for a $100,000 position in TransAlta to yield $10,000 a year. That said, TransAlta has a payout ratio of 134%, which means that the dividend could be cut. To really ensure that your $10,000 a year is safe, you need to try a strategy that takes a little more patience.

## Strategy #2: high-growth investing

Investing in stocks that have lower but faster-growing dividend payouts can be a safer path to $10,000 than picking high-yield stocks. Stocks with extraordinarily high yields often face financial issues that result in their dividends being cut. But if you buy a lower-yielding, financially sound stock, then you may see the dividend grow to a rate that will pay you $10,000 a year down the line.

One such stock is **Fortis** (TSX:FTS)(NYSE:FTS), which only yields 4% now but has a 44-year dividend-increase streak. A $100,000 position in Fortis today could easily pay $10,000 a year 20 years from now. Is that a long time to wait? Sure. But if you're investing for retirement, it's well worth the wait.

## Strategy #3: dividend reinvesting

Last but not least, we get to the strategy of dividend reinvesting. This is where you use the dividends you earn to buy more shares in the stock you bought. Dividend reinvesting increases payouts by gradually increasing the size of your stake without you having to add more money to your TFSA from elsewhere. This strategy takes time to pay off, but when combined with increasing payouts — like those seen with Fortis — it can easily get you to $10,000 a year in income with a stock that yields just 4% now.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:RNW (TransAlta Renewables)



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