



How to Earn \$500/Month of Tax-Free Income in Your TFSA

Description

The Tax-Free Savings Account (TFSA) is an absolutely remarkable tool, which can make it quicker for you to [arrive at a \\$1,000,000 portfolio](#).

While it's nice to have a portfolio value to work towards, there's no contradiction to have another kind of goal for your TFSA. How about an income goal?

For starters, you can set up your TFSA to earn \$100 per month of tax-free income. We're going to set the bar a tad bit higher — to earn \$500 per month of tax-free income.

If you've been diligently saving and depositing the maximum contribution room for your TFSA at the start of every year since 2009 and invested for a very reasonable rate of return of 10%, you would have accumulated a six-figure TFSA portfolio by now.

To get \$500 per month (equating to \$6,000 per year) of income, you need a \$100,000 portfolio that's earning a 6% yield. Proven dividend stocks that offer safe 6% yields are a little challenging to find but not impossible.

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A safe dividend stock with a +6% yield

As of writing, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) offers a 6.1% yield. You'll be delighted to know that the North American energy infrastructure leader is one of the best dividend stocks in Canada.

Enbridge has raised its dividend payout for 23 consecutive years. Its three-, five-, and 10-year dividend-growth rates are about 13-16%. More recently, the dividend-growth star has been increasing its dividend by 10-11%.

Earlier this month, the company reported that the Line 3 replacement project (which was about a third of its capital program over a three-year period) is expected to come into service in the second half of 2020 instead of in 2019. The delay is due to a new update on the expectation of when Enbridge will receive the final state permits for the project.

Enbridge stock dipped as much as 6% on the day, but it has since rebounded to the \$48 level. This indicates that it was a temporary issue and that the fundamentals of the stock are still intact.

Despite the delay, Enbridge is maintaining its 2019 distributable cash flow guidance range of \$4.30-4.60 per share. This implies that the delay has no material impact on the business.

Since Enbridge is estimated to pay out about 67% of its distributable cash flow as dividends this year, its dividend remains safe with a buffer. Moreover, Enbridge aims to increase its dividend by 10% again next year.

Investor takeaway

If you have a six-figure TFSA portfolio, you can convert it to an income-generating machine that churns out essentially \$500 per month (or \$6,000 per year) — for starters.

By investing in a portfolio of proven [dividend-growth stocks like Enbridge](#), you can expect to stably increase your tax-free income by at least 5% per year. So, instead of earning \$500 per month, you'll earn at least \$525 per month next year.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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