



3 Ways to Make \$500 a Month Passive Income in Your TFSA

Description

Did you know that you might be able to deposit over \$60,000 in your TFSA in a single year?

While the TFSA contribution limit for 2019 is \$6000, the TFSA rules stipulate that you can accumulate contribution room for every year you haven't opened one since the program started. This means that if you open a TFSA for the first time in 2019, you can [deposit \\$63,500](#) without incurring the dreaded over-contribution tax.

What this means is that TFSAs can be powerful tools for generating income. The annual dividends on \$63,500 at an average yield of 4% add up to \$2540 a year or \$211 a month, which is already enough income to help out in emergencies. But with regular contributions and dividend growth, you can turn that \$211 a month into \$500 a month over time, a significant income boost.

If you want to collect \$500 a month in your TFSA month after month, it will take some time to get there. It can, however, be done. The following three strategies should help you get there in a decade or less.

The high dividend strategy

As mentioned above, \$63,500 in your TFSA at a 4% average yield will get you to \$211 a month (paid quarterly). That's already a nice part of the way to \$500. With regular contributions and dividend increases you could easily get there in a few years. If you don't want to wait, though, you could try investing in stocks with very high dividends.

Enbridge Inc ([TSX:ENB](#))([NYSE:ENB](#)) currently [yields about 6%](#), so your monthly average income from an all-ENB portfolio worth \$63500 would be \$317. And with Enbridge's dividend growth rate averaging 17% over five years, you'd likely watch your yield increase year after year even without further contributions.

The dividend growth strategy

Buying high-yield stocks is a great way to get started on your path to \$500 a month in your TFSA. However, if you're skeptical of ultra-high yielders, you can always buy modest yielders with high growth prospects. The **iShares S&P/TSX Capped Composite Index Fund** ([TSX:XIC](#)) is heavily weighted in Canadian banks, which have a long history of raising their dividends year after year. So while your yield on XIC would only be 2.7% at first, you'd have a very good shot of seeing your dividends grow year after year.

The pure growth strategy

A final, riskier strategy for earning \$500 a month in income is to buy a high-growth stock and sell off shares periodically as it rises. Although income investing generally refers to dividend investing, the truth is that selling stock generates income as much as dividends or interest.

Any 10% appreciation on a \$63,500 portfolio will get you a \$6,350 payday, so if you sell off 10% of such a stock once a year, you're averaging a little over \$500 a month in income. Of course, you'll need a little luck with this strategy, as it assumes a return well ahead of the TSX's average gain. But it's far from unheard of for high-growth tech stocks to average more than 10% year in and year out.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

PARTNER-FEEDS

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