



## How to Add \$500 a Month in Tax-Free Dividends

### Description

The only thing better than getting paid a dividend is knowing that it's also tax free. That's where a TFSA can be a great tool for investors to help grow and build their wealth over the years. By holding eligible investments inside a TFSA, investors don't have to worry about paying taxes later on any dividend income or capital gains that they earn as they would with an RRSP.

The downside is that you don't get a tax reduction as a result of contributing to your TFSA, but you do get the benefit of being able to pull the funds whenever you want and not have to worry about any tax consequences as a result.

By holding a good dividend stock in your TFSA, you can earn a great monthly payout that won't be taxable and that you can use to help pay your bills or any other expenses. A great stock to help you get there is **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.scribd.com/document/444444444/TSX-REI-UN)), which currently yields around 5.4% and has payments made on a monthly basis.

The stock is an excellent option, as it's one of the top REITs on the TSX and can provide your portfolio with a lot of [stability](#). With a beta of less than 0.5, RioCan's stock won't pull you along with the swings that the market has seen in recent years, which is very valuable for a dividend stock in order to ensure that you don't incur big losses in share price along the way.

RioCan's yield is also not terribly high, and the good part of that is that helps make it sustainable and likely that the company will be able to keep paying it over the years. The challenge, however, is that in order to generate \$500 a month, or \$6,000 in dividend income for the year, you'll need an investment of more than \$111,000 in order to be able to achieve that. That's well above the cumulative limit for an individual's TFSA.

However, if your spouse has room available in their TFSA, then together, you could reach the total investment amount required to be able to accumulate \$500 in monthly dividends from RioCan's stock. If you're looking for a relatively safe dividend option, then this approach and using RioCan is a good way to do so.

If you'd prefer a riskier strategy, you could certainly look for [higher yielding dividend stocks](#) that will

generate more income. The problem is that if you'd want to generate the same level of dividend income inside just one TFSA, you'd need to invest in a dividend stock that's yielding around 10% per year, which is not something that investors should expect to be sustainable.

You could simply settle for a lower dividend if you don't have the option of taking advantage of another TFSA within your family. Ultimately, there are many options for investors to take here, which is why the TFSA is a great tool for investors seeking to build long-term savings.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

## PARTNER-FEEDS

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

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