How a Canadian Couple Can Turn $12,000 in TFSA Contributions Into $200,000

Description

If you're part of a young couple looking to start up a savings plan, you certainly are not alone. Canadian couples across the country are constantly looking for new ways to bring in some extra cash, and rightly so. With inflation the way it is, and salaries for the millennial generation remaining relatively stagnant, any little bit helps.

That's why the Tax-Free Savings Account (TFSA) is such a bonus for those who take advantage of it. With contribution room of $63,500, Canadian couples can have a combined $127,000 invested in their future. Of course, not every couple has that much to just put away to watch grow.

That's why today I'm going to look at simply using this year's contribution room for $6,000 per person for a combined total of $12,000. It may not seem like much, but by investing in the right stocks, couples can turn those funds into incredible opportunities.

Part of that opportunity comes from investing in dividend stocks and using those dividends to reinvest in shares. That way every month, quarter, or just every year, couples can have even more invested in some strong stocks that have a stellar reputation of increasing dividends and consistent payouts.

So, let's dig in.

American HOT Properties

American Hotel Income Properties (TSX:HOT.UN) is a great place to start when it comes to finding dividend stocks with sky-high yields. The hotel owner has 112 properties across the United States and is currently working on bringing even more properties on board.

As of writing, the stock offers a 12.74% dividend yield, which equals $0.87 per share per year. The company is quite new, only being around since 2013, but in that time it has paid out dividends consistently on a monthly basis, with dividend growth along the way.

The stock is also cheap at the moment, coming down by half in the last few years coming off the back of lower profits. However, the stock now looks to be undervalued. While debt is still there, the lower profits have subsided. The debt is now due to the company’s growth plan that is already well underway.

HOT has been making a series of acquisitions across the United States to strengthen its balance sheet and further its goal to have a premium-brand hotel portfolio. For those willing to be patient, once these acquisitions are set up, the stock should skyrocket as money starts to roll in from these higher hotel prices, especially in a strong American economy.

As of now, the stock is incredibly cheap, trading at over a 25% discount from its net-asset-value (NAV) price of $8.50 per share. As of writing, the stock trades at about $6.70 per share, so making any type of investment shouldn’t need much arm twisting.

But now for that dividend reinvestment. Here’s where things get really interesting. If a Canadian couple at around 30 years old use that $12,000 and reinvest the dividends for 15 years, they stand to have $203,878.51 in that time.

Foolish takeaway

Now, of course, anything can happen, and given that this stock is relatively new, it doesn’t have the history of dividend payouts that we like to see. Also, as the share price increases, that dividend increase will be hard to keep up with. However, given the stock’s current share price you really cannot go wrong with investing even a little bit with this stock. If you already have a diversified portfolio you’re happy with, then using your contribution room for a stock like HOT is definitely a great option for your buy-and-hold portfolio.

CATEGORY

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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alegatewolfe