



TFSA Investors: How to Make \$5,000 in Passive Income Every Year

Description

I'm a firm believer in trying to diversify your income as much as possible. Relying on one source of income and one job to help you pay your bills can put you at significant risk. While people often think of diversifying their investments, they don't think about doing the same when it comes to their income, and that could be a big mistake. A job loss or an unexpected life event could wreak havoc on your life if you aren't prepared to deal with it.

That's where having dividend income is a good way to give yourself an added layer of protection. Even generating an extra \$5,000 a year could be just that little extra you need to go on a vacation and have some more flexibility in your life. It's the equivalent of making an extra +\$400 per month. And if you're able to earn it inside of a TFSA, then that will be even more valuable, since you won't owe any taxes on it, and it is the equivalent of earning around \$7,000 or more in taxable income, depending on your tax bracket. That would mean you could take a job that pays \$7,000 less but that might be a better fit for your life.

For those on fixed income, the money could simply be used to help [make ends meet](#) if funds from retirement are just not enough, which can often be the case. There is no shortage of reasons to invest in dividend stocks, but with many investors looking for [high-growth stocks](#) or quick profits, they often don't get the same popularity as tech or cannabis stocks do.

A dividend stock that could help you earn \$5,000 annually

For investors considering dividend stocks, there are many opportunities out there to find a good investment without having to pay a big premium for it. **Automotive Properties REIT** ([TSX:APR.UN](https://www.scribd.com/document/444444444/TSX-APR-UN)) is a great example of that, as the stock could fit the needs of both value- and dividend-oriented investors. The company holds a portfolio of automotive dealership properties across the country that provide it with stable and recurring income.

And by acquiring more properties, the company can help increase its sales and profits over time. In just three years, its revenues have grown from \$13 million up to over \$48 million in 2018. Automotive Properties has also averaged an operating margin of just under 80% over the past 12 months, leaving

a lot of room for the company to post a profit. It's an attractive investment that trades at right around its book value.

Currently, it pays investors a dividend of about 7.7%. That means that if you're looking to make \$5,000 a year, you would need to invest close to \$65,000. While that's slightly above the cumulative limit for a TFSA, you can still have the vast majority of the income shielded from taxes. If you want it entirely tax-free, what you could do, if you have a partner or family member with room in their TFSA, is split the investment with another account. Alternatively, you could just try and wait for the stock to fall in value and try to get a better yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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