



How to Make \$8,000 in Tax-Free Dividends Every Year

Description

If you're looking for a way to supplement your income, dividends can be a great way to accomplish that. And inside of a TFSA, you can help shield those earnings away from taxes.

That income is therefore even more valuable, as you don't have to worry about a good chunk of it being taken away to pay taxes. It's a great advantage to having a TFSA.

Below I'll show you how you can make as much as \$8,000 in tax-free dividend income.

Strategies to help maximize dividend income

In order to earn a significant amount in dividends, you either need to have a lot invested, or be willing to take on the risk of owning a high-yielding stock where the payouts may prove unsustainable.

Either option could be risky, as investing a high amount ties up more of your money into a stock that could fall in value, while the dividend payments from a high-yielding stock could be due for a cut or be stopped entirely.

It's important for investors to understand these risks to get an idea of the more optimal strategy for their individual investing profiles. One of the immediate challenges is that a TFSA is limited to a cumulative contribution limit of \$63,500.

In order to maximize the potential benefit, you'd be better off to invest with a spouse or family member so that you can shield more of your investments.

If you're able to max out multiple TFSAs to \$127,000, then you can invest in a blue chip stock like **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) and earn significant dividend income every year.

Currently, the stock is yielding a dividend of around 6.3%, meaning that with such a large investment, you could be earning a little more than \$8,000 per year, with all of it being tax-free income.

What makes Enbridge a particularly appealing dividend stock to invest in is that the company has [increased its payouts](#) over the years. That means that while you can earn a good dividend yield today, that percentage will likely grow over the years as well.

By holding onto the shares, you could be rewarded by earning more on your initial investment.

Although the dividend is not a guarantee to increase or even continue, Enbridge is one of the safer investments to hold in your portfolio today.

With a good track record and strong results, there's not nearly as much risk investing in the company as there is in other oil and gas stocks.

If conditions in the industry [improve](#), there's also a lot of potential upside for Enbridge's share price to rise. Whether you earn dividend income or benefit from capital appreciation, it's all tax-free inside of a TFSA.

While you could go for a riskier stock that pays a 10% yield and requires less of an investment to generate the same dividend income, the problem is that a payout that high may only be temporary.

If you have the funds available, investing in Enbridge could be a great way to add a lot of cash flow which will lessen the amount of cash you need to generate from your day job.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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