



TFSA Investors: Make \$7,500 in Tax-Free Dividends Every Year

Description

Dividend stocks can be an excellent way to supplement your income. Whether that income comes from work, or you've entered retirement, investing in dividend stocks can help either boost your bottom line, or provide the income you need during hard times.

When considering dividend stocks, it's important to look for a few factors. The company should ideally have a long-standing history of both dividend payouts and increases, and a strong future outlook that means the dividend will be supported for years to come.

And, of course, the best case scenario would be that the stocks are undervalued and looking to make a huge comeback that could boost both share price and dividend yield.

If you're looking for stocks that fall at least partially into these categories, then I would absolutely consider these three stocks. They are the most likely to get you to that sweet spot of \$7,500 per year by using the contribution room available in your Tax-Free Savings Account (TFSA).

Inter Pipeline

Inter Pipeline Ltd. (TSX:IPL) is a stock that is setting up to be a hitter with the big boys. While the oil and gas industry may be down, investors have been scared away from the potential this stock has to offer.

Sure, in the last five years the stock is down about 39% as of writing. However, looking long term, the stock is up much farther at a whopping 400% in the last 20 years.

It's here that investors should be looking, as the stock has a promising future outlook both through growth projects and long-term contracts, which supports 70% of the company.

This is all to say that the dividend yield of 7.64% at writing is rock solid, and Inter Pipeline is undervalued at a time when it is in growth mode and should see its Heartland petrochemical facility come online by 2021.

CIBC

Another [stock with long-term potential](#) is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), and again this dividend king amongst the other Big Six Banks is at a significant discount.

This comes from both poor recent quarterly results, and at time when analysts are warning about a potential housing crisis. If that were to happen, CIBC would definitely be hit hard.

In the meantime, the stock is trying to expand into the United States like other banks, and recently acquired a boutique investment bank for US\$5 billion. This should help CIBC start some expansion across the border, providing Canadians with more access to the American market.

And if again we look long term, CIBC has grown 217% in the last 20 years. While this can be seen as weaker among the other Big Six, it's still a fair amount of growth. Coupled with that, the stock has an incredible dividend yield of 5.41% at writing, the highest among its peers.

Fiera

Finally, we have **Fiera Capital Corp.** ([TSX:FSZ](#)), an asset management firm that has seen major growth in the last decade. In 2011, Fiera had only about \$29 billion in assets under management.

As of writing, that has grown at \$149.5 billion, mainly through acquiring other asset managers, and an increase of \$4.6 billion since March.

The company is now Canada's third-largest independent publicly traded asset manager, but much further down at 76 in North America, with only a few acquisitions in the United States and even fewer outside North America, so the company definitely has room to grow.

That makes its [dividend yield](#) of 7.46% absolutely safe as the company continues to grow. The stock is newer, with only 15 years to look at, but in that time the stock has risen 57%.

Foolish takeaway

Each one of these stocks has risen its dividend yields on a consistent basis, so if we look towards the future and getting that \$7,500 per year, here's how it breaks down:

- \$32,399.44 invested in Inter Pipeline
- \$45,884.48 invested in CIBC
- \$33,331.20 invested in Fiera

That leaves a total of \$111,615.12. If an investor and their partner both used their TFSA contribution room of \$127,000 and split it between them, that would bring the household passive income to \$7,500

per year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:FSZ (Fiera Capital Corporation)

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