



Here's How Much Monthly Dividend Income You Can Earn by Maxing Out Your TFSA

Description

One of the biggest benefits of investing in a TFSA is that you can make monthly dividend income within the account that will be tax-free (on eligible investments). Think of it as supplementing your income without having to take on any additional work.

Whether you need it to help grow your savings or stow away cash for your next vacation, it can give you a lot of flexibility for your future.

However, one limitation is that the contribution limits may make it difficult to earn a significant amount of dividend income. With a TFSA having a cumulative limit in 2019 of \$63,500, even if you max out those contributions, your dividend income may not be terribly high unless your yield is.

Consider a stock that pays a modest 2% per year. A \$63,500 investment in the stock would produce just \$1,270 in dividend income. At a rate that low you may be better off simply putting the money into a savings account with your bank for a guaranteed rate without any risk. At a dividend yield of 5%, your dividend income would rise to \$3,175.

However, it's not uncommon to find even higher yields, especially with the markets struggling as of late. One stock that could be a good one to utilize inside your TFSA is **Plaza Retail REIT** ([TSX:PLZ.UN](https://www.scribd.com/document/444444444/PLZ-UN)).

Although its returns over the past 12 months haven't been great, the stock does offer investors a very attractive dividend yield of 6.7% to help make up for that. If you were to max out your TFSA on that one stock, you could earn about \$4,250 every year, or approximately \$354 every month.

However, with Plaza Retail, you could also have the opportunity to benefit from a stock that has increased its dividends over the years as well.

What that means is that while you could be earning \$354 a month today, that amount could become much bigger over the years, assuming of course that Plaza Retail continues performing well.

There's certainly no guarantee that the stock will continue raising its payouts or even simply maintaining the status quo, but it's an example of how your TFSA has the ability to benefit from a [growing dividend stock](#) to help maximize your income.

Many options for investors to choose from today

Ultimately, investors have many choices when it comes to [dividend stocks](#). While the above example showed you how much you can make investing in one high-yielding stock, investors may want to add more stocks into the mix to help add some diversification or perhaps even an ETF to help balance things out.

Putting all your money into one stock can be a very risky proposition, and it's important to have a good understanding of the stock and the underlying business before doing so.

High-yielding dividend stocks can be appealing, but they can also be risky as they can be in danger of being cut if things don't go well. The trade-off is that with a safer dividend stock, investors are often earning a much lower dividend.

This is where a person's goals and risk appetite will have a big impact on which dividend stocks they choose to invest in.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:PLZ.UN (Plaza Retail REIT)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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