How to Make More Than $50,000/Year in Tax-Free Income After You’ve Retired

Description

Relying on the government to help you get by in retirement could be a very risky plan for old age. With multiple factors impacting how much you’ll earn, you could be in for a rude awakening. That’s why you’re better off with a strategy that gives you more control and greater certainty for your retirement.

The best way to do that is to start saving and building that nest egg to be as large as possible. Your TFSA is a great way to do that, and there are multiple strategies that could help you get it to $1,000,000 . It’s by no means an easy goal, and you’ll maximize your odds by saving as much as possible, but if you’re able to reach it, it could give you a lot of freedom in your retirement.

Dividend income could provide lots of stability for retirees

If you’ve got a lot saved up, the good news is that dividend stocks can help give you a recurring source of income that can help you with bills and even save during retirement as well. There are many stocks that pay shareholders on a monthly basis that will keep money coming in very often. However, if you’re okay with payments being made every three months, then you’ll have a lot more options to choose from.

A great dividend stock for retirees in this case would be **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). Its payments are quarterly, but you’ll be getting a very secured dividend that not only yields around 5.5% per year today but that has grown and likely will continue to do so over the years.

That’s why getting your TFSA to the $1,000,000 mark in savings could be your key to freedom. With the ability to invest that much into CIBC, you could be earning $55,000 a year in income — entirely tax-free.

You’d need to make a lot more at a job to net $50,000 in take-home pay, and if your mortgage is paid off when you retire, that dividend income would allow you to not have to worry about how much you’ll get from the government.

Although with bank stocks like CIBC, you won't get payments monthly, in return you receive a lot more stability. Currently, CIBC has a payout ratio of around 50% and it's a safe bet to continue to pay dividends for the foreseeable future.

And over the long term, expect the stock to rise in value as well. But if you're planning to live off the dividend income, then you don't need to worry about selling it anyway.

Bank stocks are great options for risk-averse investors, and with CIBC paying such an attractive yield today, it's one of the best dividend stocks that investors can own today.

Bottom line

Dividend stocks may not make sense for investors that are looking to earn the highest returns possible, but during retirement, when you're looking for income and predictability, they can be a great way to supplement your cash flow without putting your savings at risk.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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1. Business Insider
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