



TFSA Investors: Make \$500/Month in Dividends With This 1 Stock

Description

To grow your TFSA, all you really need is a good dividend stock that can help increase your portfolio's value over time. Dividends can be a great way to add recurring cash flow during times when a stock may not be rising in value, [like a recession](#).

Whether you're looking for stability, recurring cash flow, or just portfolio growth, there's no shortage of reasons to hold a [quality dividend stock](#) inside your TFSA, especially since those earnings will all be tax-free on eligible investments.

Slate Office REIT (TSX:SOT.UN) is a dividend stock that could look good in any portfolio. Since it's a pure-play office REIT, it's likely going to do well as long as the economy is performing well. Unless companies shut down and have to close their operations, they'll need office space to conduct business.

Focus on value makes the stock very attractive

One of the ways that Slate stands out is that the REIT has dozens of properties and it invests in office space that is often overlooked. It calls itself a value investor; that means Slate's properties aren't likely going to be commanding the top rates that tenants can expect in prime downtown locations. And that could make it less likely that tenants would want to leave during tough economic times, and it could even drive more demand in those situations.

That's a very appealing model, especially for dividend investors, as stability is key. And to the company's credit, it's been working; profits in 2018 of \$77 million were more than double what the company generated just two years earlier, even though sales grew by only 72%. Despite the strong results, the stock has had modest returns over the years, rising around just 8% in two years. But that's good for value investors, as it means the stock could be undervalued today.

Currently, the REIT is trading well below its book value at a multiple of close to 0.7. Buying at that low of a price tag can make the stock a relatively safe buy, as there's a lot of potential room for Slate to increase in value, while the risk of the stock crashing is significantly reduced.

Solid monthly dividend can produce significant cash flow for investors

Even if the stock doesn't take off in price, investors can secure a top dividend, as the company is currently paying investors a yield of about 6.3%. For investors that are looking to generate \$500 a month in dividends, that means an investment of about \$95,000 would be sufficient to achieve that.

At that large of an investment, that's well in excess of the cumulative TFSA limit of \$63,500. You could get around that, however, if you max out your TFSA and your spouse or partner invests the remaining amount in their TFSA. Under that approach, you would be able to invest a combined \$95,000 and earn approximately \$500 in tax-free income every month.

If you only have the option of utilizing one TFSA, at an investment of \$63,500, that will still be able to generate \$333 in income every month for your portfolio, tax-free.

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