



TFSA Investors: How You Can Make \$345 a Month in Dividend Income Today

Description

At this point in time, investors have accumulated \$63,500 in contribution room for their TFSA. For those investors who have not yet started to contribute to a TFSA, this is a lot of wasted “tax-free” money. The opportunity cost is huge, and this means that if you have not started using this tax-sheltered investment vehicle, you have a big decision to make. Should you scrape up as much money as you can and finally take the plunge?

The answer is a resounding yes! The tax-sheltered income and capital gains that can be earned with this amount of money is very significant, and not using this to the fullest of your ability would be a grave mistake that would cause great regret down the line.

In this article, I would like to talk about an opportunity to invest in a dividend stock that will make you \$345 a month in dividend income, while offering solid potential upside in the form of capital gains as well.

The dividend stock that I am referring to is **Wajax** ([TSX:WJX](#)), a Canadian distributor of mobile equipment, power systems, and industrial components. For Wajax, roughly half of its revenue is tied to the construction, industrial, and transportation industries. Wajax has exposure to a diversified list of sectors and companies that have generally been seeing healthy, steady demand and activity.

Generous and well-covered dividend

Wajax stock currently has a dividend yield of 6.48%. It is [a dividend that is well covered](#) with a payout ratio of 58%. Furthermore, the company’s balance sheet is healthy, with a debt-to-capitalization ratio of 56% and a net debt to EBITDA ratio of 2.9 times.

If you invest the full cumulative amount allowable in your TFSA today, \$63,500, into Wajax stock, you will receive \$4,133 in annual dividend income, or \$345 in monthly dividend income.

Momentum: better-than-expected results

The latest quarter saw Wajax beat expectations by almost 13%, as the company reported EPS of \$0.62 compared to expectations of \$0.55. This was mostly attributed to a significant improvement in EBIT margins to 5.1%. Over the last few years, the company has lowered its fixed costs, streamlined and reduced the number of facilities, and lowered administration costs by approximately 10%.

In the latest quarter, backlog increased 15% sequentially and 16% year over year, as the company's well-diversified revenue base saw strength in the forestry and mining sectors.

Valuation means big upside

Wajax [stock is currently trading at book value](#), a level that is not justified nor warranted. When we consider the facts, such as the fact that Wajax has turned free cash flow positive after years of restructuring and getting its business in order, we can start to see the upside.

Last quarter, Wajax generated \$19 million in free cash flow, and this is only going higher over the next few quarters, as the company benefits from higher margins, higher returns, and steady business from its different sectors.

Foolish bottom line

Wajax stock can earn TFSA investors a solid dividend income stream as well as provide significant upside. The dividend yield is north of 6%, and the stock is trading at book value, despite its positive fundamentals. All of this makes it a solid opportunity to make some money.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:WJX (Wajax Corporation)

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