



TFSA Investors: How to Make \$400/Month in Tax-Free Dividend Income

Description

Investing in dividend stocks is a good way to boost your portfolio's value over the years, even if the stock's returns may not be particularly strong. And if you earn the dividend income within a Tax-Free Savings Account (TFSA), then the income becomes even more significant since it's not subject to taxes. Whether you want to grow your portfolio or just want the extra income every year to help pay for expenses, dividend income can be very important for any investor.

The difficulty when it comes to dividend stocks is striking a good balance between a good payout and a safe one. As tempting as [high-yielding dividend stocks](#) may be, they may prove to be useless if their payouts end up being reduced, which can often happen if yields get out of hand and are in the double digits.

Oil and gas stocks could provide lots of value for investors today

One way that investors can earn a good yield is by taking on a bit of risk. Oil and gas stocks, for instance, are some of the more questionable investments out there simply because of the [challenges](#) that the industry is facing today, particularly in Canada. A lack of investment in oil and gas has made it difficult for stocks to go in any direction but down, and even high oil prices may not be the solution anymore.

However, for investors that are willing to take on the risk of investing in oil and gas, there could be some great deals to be had out there. Take **Inter Pipeline** (TSX:IPL) as an example. The company has had no problems generating a profit over the years, even during some of the most difficult times during the downturn in the industry.

The company has been performing very well at a time when other oil and gas stocks haven't been. And yet the stock has fallen by more than 30% over the past five years. However, things have stabilized over the past year, as Inter Pipeline's stock has fallen by just 1% over that time. But with such a significant drop in value in recent years, that has pushed the company's dividend to a yield of 7.7%.

If you were to max out your TFSA at \$63,500 and invest all of that into Inter Pipeline, you'd earn about \$4,900 per year in dividends. And with the company making payments on a monthly basis, that means every month you'd be collecting more than \$400 in extra income.

That's one way to significantly boost your income. While there's risk investing in Inter Pipeline and any oil and gas stock today, the investment could prove to be worth the reward. And with Inter Pipeline stock trading at a modest 15 times earnings and two times book value, investors aren't paying a big premium to own the stock.

Bottom line

There's room for Inter Pipeline's stock to rise in value should things in the industry pick up, and that's on top of the great dividend that it offers you today. And with the company raising its payouts over the years, it's possible that the dividend payments will become even larger down the road.

In short, there are many reasons as to why Inter Pipeline could be a good option for your portfolio, but you have to be willing to take on some risk along the way.

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