TFSA Users: $10,000 in This 14.44% Dividend Stock Pays You $1,444/Year

Description

Earning passive income is not a trend but a must in the modern world. If you have extra cash on top of your active or regular income, you can cope with the increasing cost-of-living expenses and inflation and still have some money to treat yourself.

You should realize by now that hoarding cash is no longer enough. The only way to create additional income is to pay it forward and invest. A company like **Vermilion** (TSX:VET)(NYSE:VET) is an exciting investment prospect. The stock offers a super-high dividend. You could earn a considerable windfall.

High-yield dividend stock

I am using Vermilion as an example and not recommending that you buy this energy stock. You have to conduct due diligence to assess if its prospects align with your investment appetite and risk tolerance.

My purpose is to illustrate the financial benefits if you invest in a high-yield dividend stock like Vermilion. This $3.04 billion independent oil and gas company pays a lucrative 14.44% dividend. The yield is so enticing because you can accelerate the growth of your money or boost your monthly take-home pay.

A $10,000 investment in Vermilion today can produce an annual passive income of $1,444, or $120.33 monthly. Assuming the company can sustain paying the high dividend, a $50,000 investment could be worth nearly $200,000 in only 10 years.

Using the rule of 72, a $1,000,000 investment could double in five years and every five years after that. The figures are astonishing, but true. More so, when you withdraw the entire amount from your TFSA, all your earnings are tax exempt.

However, you can keep growing your balance by reinvesting the dividends to raise your overall return through the power of compounding.

A glimpse of the business

By and large, Vermilion is an established energy producer with 25 years of experience in acquiring, exploring, developing, and producing petroleum and natural gas. At present, the company operates in Australia, Europe, and North America.

The business model is simple and straightforward. Vermilion relies on light oil and liquids-rich natural gas conventional resources in Canada and the U.S. for its annual organic production growth. So far, this strategy enables the company to provide reliable and increasing dividends.

Vermilion’s operations are not entirely concentrated in North America. The company is currently exploring and developing high-impact natural gas opportunities In Germany and the Netherlands. It is also present in Australia and France to do oil drilling and complete the workover programs in both countries.

The company was struggling in 2015 and 2016 before rebounding in 2017. But the spectacular rebound came in 2018. Vermilion’s top line and bottom line grew by 49% and 33%, respectively. This year promises to be another fantastic performance, as Vermilion is likely to better last year’s financial results.

Double-whammy

The only threat to Vermilion is a business reversal that could prompt management to implement a dividend cut. In the absence of such danger, there is a potential double-whammy. Analysts are forecasting a capital gain of 79.2% in the next 12 months. Add the 14.44% yield, and you can earn the highest possible passive income.

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1. Dividend Stocks
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