



## Hate Taxes? Here's How You Can Make \$5,400/Year in Tax-Free Dividend Income in 2020

### Description

No one likes paying taxes; even the government knows that. That's why the Tax-Free Savings Account (TFSA) was set up and included in the federal budget back in 2008.

The TFSA has been a popular investment vehicle for the past decade and it's one place where investors can store their investments and earn tax-free income. Whether your investment increases in value or pays a dividend, you can bank those gains without having to worry about having to pay taxes on them.

### Why a TFSA is ideal for dividend stocks

Holding dividend stocks inside of a TFSA can be particularly valuable for investors since the income earned from dividends can be a lot more predictable than the gains an investor may earn from capital appreciation.

Generally, we expect share prices to rise over the long term but in any given year that may not be the case. A dividend, however, can be a lot more secure, especially if the company's business is generating good cash flow and it's profitable.

One of the limitations of a TFSA is that the cumulative limit for people who have been eligible to contribute every year is \$69,500 as of 2020. For young investors, that limit is even [lower](#).

However, if you're able to contribute the full \$69,500 and have the room to do so, that could be sufficient to earn a strong dividend as there are many high-yielding dividend stocks that investors can use to help supplement their income.

### How to make more than \$5,000 a year in dividends

Inovalis Real Estate Investment Trust ([TSX:INO.UN](#)) is a stock that could be a great option for

investors looking for some strong dividend income. Currently, the stock pays investors a monthly dividend of \$0.06875, which yields 7.8% per year in dividend income.

Investing the full \$69,500 of your TFSA limit into Inovalis would allow you to earn more than \$5,400 a year in dividends. And inside of a TFSA, all that cash you earn wouldn't be taxable.

You may be wondering whether that rate of dividend is sustainable. The good news is that over the past 12 months, Inovalis has generated more than \$17.5 million in free cash flow, which is more than the \$16.7 million it paid out in dividends over that time.

The company has also consistently posted a profit over the years and only once during the past four has net income fallen below \$20 million.

An added bonus for investors is that Inovalis' portfolio of properties is mainly located in Germany and France, giving investors the opportunity to diversify their holdings outside North America. It can be important, especially for those investors worried that North American markets could be due for some more challenging economic conditions.

In 2019, Inovalis rose by around 13% in value, padding what would have been some strong dividend income for investors holding shares of the company. While investors shouldn't expect those kinds of returns every year, any capital appreciation earned from the stock can be a big bonus for investors who are holding onto the stock primarily for its [dividend income](#).

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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