



## TFSA Investors: How to Make an Extra \$100/Month in Tax-Free Income

### Description

One of the best reasons to have a Tax-Free Savings Account (TFSA) is that you don't have to worry about paying taxes on earnings that you make in the account on eligible investments.

And whether you generate that income from capital gains or through dividends, it doesn't matter; it's all in the same bucket. A great way to make the most of your TFSA is to use it to hold [dividend stocks](#) that can provide you with a recurring stream of income that you can use to help pay bills or just continue adding to your savings.

Some stocks also pay dividends on a [monthly basis](#), giving investors an even more consistent and more recurring source of income. One stock that pays dividends every month is **TransAlta Renewables Inc** ([TSX:RNW](#)). Not only is the renewable energy company a great way to invest in the future and in cleaner sources of power, but it also gives you lots of incentive to hold onto the stock today.

### TransAlta's dividend can provide you with some valuable income

Currently, TransAlta pays its shareholders a dividend of \$0.07833 every month, good enough to generate a yield of 6% per year based on a share price of around \$15 to \$16. However, with the stock rising 40% over the past year, that yield will only get lower if the price continues to soar.

With a 6% dividend yield, you're earning \$5 per month for every \$1,000 you invest in TransAlta. Thus, if you want to earn \$100 in tax-free dividends each and every month, you're looking at an investment of around \$20,000, and you can certainly increase that if you're looking to make even more.

However, at \$20,000, TransAlta can be a key piece of your TFSA and you can still have room in the account to add other investments in to help diversify your portfolio.

Although TransAlta does look to be a solid long-term buy, in the short term, there can be some volatility

that investors experience. Green energy still has a long way to go to becoming mainstream, and growth is something that TransAlta has struggled with.

In 2018, its revenue of \$462 million showed minimal change from the \$459 million that the company earned in the prior year. The good news is that TransAlta has remained profitable, posting a net income of \$224 million over the trailing twelve months.

And with free cash flow of \$319 million during that time, it's been well equipped to cover its dividend payments of \$221 million over the past 12 months.

## Bottom line

TransAlta offers investors two great opportunities to earn income through both dividends and capital appreciation. Even after coming off a strong year in 2019, TransAlta is still a good value buy, trading at less than two times its book value and 18 times its earnings.

The stock still has a lot to offer in terms of capital appreciation, especially once it starts generating stronger growth numbers.

While it may take time, for investors looking to buy and hold a stock for the long term, TransAlta can be an attractive stock to put into your portfolio today.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)

### PARTNER-FEEDS

1. Business Insider
2. Msn
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