TFSA Investors: Earn $325 in Dividends Every Month by Investing in This 1 Stock

Description

Dividend income goes great in a Tax-Free Savings Account (TFSA), especially when the payouts are monthly. The recurring payments can help pay for bills or just pad your savings. Either way, they can offer a great deal of flexibility to your budget.

The challenge is that if you're looking for a safe dividend stock, you may only get a 3-4% yield, and with a cumulative TFSA limit of $69,500 for account holders who have been eligible every year and who have never contributed, thay could be looking at less than $3,000 per year in dividends, even if you max out that limit.

However, if you're willing to take on some risk and invest in a higher-yielding dividend, you can earn significantly more. One dividend stock that pays a very high yield today is **Vermilion Energy** (TSX:VET)(NYSE:VET). Its monthly dividend payments of $0.23 mean that you'll be earning $2.76 annually. Based on a share price of over $21, you'd be earning about 13% per year.

It's an extremely high yield and one that could very well be in danger of being cut, especially if the company struggles to post a profit, as it did in its most recent quarter.

Vermilion remains committed to continue paying its dividends, and for the time being, it could still be a good stock for income investors to hold. While I wouldn't suggest buying and forgetting or just assuming that its dividend will be safe forever, it could be advantageous to buy.

If Vermilion recovers and goes on to post strong profits, its stock will rise, and the dividend yield will drop. Buying the stock today, however, means you can lock in that dividend yield, even if the stock price rises, so long as the company continues paying the dividend.

It's not a strategy suitable for risk-averse investors, but it's one that can potentially pay off. With the TransMountain earning an important win in the courtoom against B.C. recently and gas prices remaining stable at around US$60/barrel, there could at least be some stability in the oil and gas industry in the foreseeable future.

With a 13% yield, you could invest $30,000, a little less than half of your TFSA, into the account and earn $3,900 per year in dividends, or $325/month. Even investing just $9,250 would be enough to add an extra $100/month in dividend income. And in both cases, that income would be tax-free if the stock purchases were made within your TFSA.

Bottom line

Over the past year, Vermilion's stock has fallen by more than 30%, and investors who are hesitant to invest in the stock should keep an eye out for the company's next earnings report, which is expected to come out next month.

If Vermilion doesn't show an improvement and at least a return to profitability, it could be a sign that there's too much risk here for dividend investors. Vermilion could be a terrific dividend stock to own but it's by no means a safe long-term investment that you can just forget about. Dividend cuts can come without warning, and that's why investors need to take a closer look at the company's earnings reports to assess just how well it's doing and whether the payments are sustainable.

Right now, it's a bit unclear where the stock will go from here, but it could be an opportunistic time to buy Vermilion for its dividend, because if it proves to be safe, it could be a steal of a deal.

CATEGORY

1. Dividend Stocks
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3. Investing

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
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