



TFSA Investors: Get Tax-Free Dividends With \$10,000 in Enbridge (TSX:ENB)

Description

If, a month into the new decade, you have not taken the time out to reprioritize the contribution room in your Tax-Free Savings Account (TFSA), it is about time you started. The beginning of the new year has also led to an increase of \$6,000 in your contribution room, bringing it up to a total of \$69,500 for Canadian investors above 18.

Before you quickly max out the contribution room, I am going to discuss a stock that you can consider adding to your TFSA, so you can boost your passive monthly income. Let's suppose that you reallocate \$4,000 of the contribution room and combine it with the \$6,000 [additional contribution room](#). You will have \$10,000 worth of tax-free space to utilize.

Using the TFSA for dividend income

The tax-free status of the TFSA can allow you to achieve several investment and saving goals, depending on how you want to use the account. One of the best ways to use the account is to invest in high-quality dividend-paying stocks. Investing in a dividend-paying stock gives you the opportunity to substantially grow your wealth and create a source of passive income.

Several dividend-paying stocks disburse payouts on a quarterly or monthly basis to shareholders as a reward for their investments. When you have shares from a dividend stock in your TFSA, its payouts will accumulate in your account as free cash. The best part is that you do not need to pay income tax on the earnings in your TFSA through dividends.

An ideal stock to invest in

To make the most of the \$10,000 in your TFSA, I think investing in a stock like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) can be one of the best decisions you can make. If you want to hold dividend stocks in your TFSA, you should aim for reliable Canadian companies. Dividend income through Canadian dividend-paying stocks is not liable for taxation in your TFSA.

Enbridge gives its shareholders a juicy dividend income of 5.94%. At a share price of \$54.59 at the time of writing, the stock is up 11.23% year over year, and it continues to climb higher. It is a secure company, and one of my favourite companies to talk about due to its stable presence in an otherwise volatile industry.

Enbridge has the world's most extensive crude oil and liquefied natural gas transportation system. It relies on fixed-rate contracts, which is priced according to volume rather than depending on the commodity price. Its operational structure allows the company to generate [stable and volatility-averse income](#). Coupled with a dividend-growth streak of 22 years, it is a stock that you can bank on for safety.

Foolish takeaway

Investing \$10,000 in the Enbridge stock and holding its shares in your TFSA can allow you to boost your dividend income by \$594 per year. Buying and holding the Enbridge stock long term will enable you to substantially accrue your wealth through its dividend income and capital gains, completely tax-free.

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