



TFSA Investors: \$10,000 Will Net You \$91/Month With 1 Massive 11% Dividend Stock

Description

The TFSA is a great investment tool. While the RRSP is inherently a long-term account created to harness the power of compounding over the years, the TFSA is a bit more flexible. Since its growth is tax-free whenever you make your withdrawals, it's great for short-term financial goals as well as generating passive income with a high-yield stock.

But abnormally high yields don't come cheap. And I am not talking about the market value of the share. In many cases, companies reward investors with growing payouts, even when the balance sheets start to get a bit shaky. This is a strategy to hold investor confidence. So, people usually get suspicious when a stock's dividend yield starts pushing past six, especially if the stock is not a REIT.

An investment fund

Canoe EIT Income Fund ([TSX:EIT.UN](https://www.scribd.com/document/444444444/TSX:EIT.UN)) is one of Canada's largest closed-end investment funds, and it's operated by Canoe Financial. The parent company bought the Canoe EIT income fund for \$1.4 billion in 2008. Now, the company manages about \$6.2 billion in assets. The portfolio is diversified into mutual funds and private energy equities.

The Canoe EIT income fund has holdings in many sectors, chief among them are financials, where the fund has about 31% of its total equities, followed by energy (16.9%) and healthcare (10.5%). Three of the most [prominent equities](#) held by the fund are **Berkshire Hathaway**, **Canadian Natural Resources**, and **Brookfield Asset Management**.

The portfolio is geographically diversified as well; about 90% of total holdings are almost an even split between local and the U.S. equities. The rest are four European countries.

Stock and dividend

With Berkshire Hathaway's mentality of "diversification is a protection against ignorance," the fund has

a well-spread-out portfolio. And the result is paying dividends, literally.

Currently, the [company is offering](#) a very juicy yield of 11.17%. So, \$10,000 out of your TFSA savings will earn you about \$93 a month. That's a decent enough sum on its own. Or you can reinvest it for higher returns from the company. This is one area where the fund doesn't really shine. It has depreciated its market value by almost 13% in the past five years. The dividend-adjusted returns are in much better shape at 47%.

Currently, the company is trading at \$10.84 per share, which, if we compare to the net asset value of around \$11, is a bit more on the premium side. But the monstrously high yield makes up for paying a few cents extra.

Foolish takeaway

Many investors tend to be a bit wary of closed-end funds, or only buy them when they are on discount. But a fast-growing (assets) stock like Canoe EIT fund is worth a closer look, even when it's trading at a premium. The more of its monthly payouts you can cash out, the better.

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