



How to Earn \$5,220 in Dividends and Pay \$0 Tax to the CRA

Description

With COVID-19 putting many people's finances in a mess, now is a good time to try and find ways to supplement your income however you can. If you've got some savings to invest, I'll show you how you can earn a great recurring monthly payout without taking on much risk. The more cash you have at your disposal, the more income you can earn.

The TFSA is key to boosting your income

A Tax-Free Savings Account (TFSA) is an important tool that investors can use to help grow their wealth on a tax-free basis. Any **TSX** stock that you hold in the account can earn you income that you [won't have to worry about paying to the Canada Revenue Agency.](#)

As long as you're not day trading, your returns should be safe from the taxman, whether they're in the form of dividends or capital gains.

If you were working for that income and it were taxable, you'd technically have to make more than you would through your TFSA to achieve the same amount of after-tax income.

REITs can be great sources of recurring cash flow

A good type of stock to consider putting in your TFSA is a real estate investment trust (REIT). As REITs typically pay dividends on a monthly basis, they can provide your portfolio with a steady stream of income.

They also have to pay out at least 90% of their earnings, thereby ensuring that as long as the REIT is performing well, you'll get a good dividend along the way.

Riocan Real Estate Investment Trust ([TSX:REI.UN](#)) is a top REIT on the TSX and due to the COVID-19 pandemic, its stock price has taken a hit. While that's bad news if you were hoping to sell the stock, it's good news if you want to buy it for its dividend.

Due to the drop in price, Riocan's dividend yield is much higher than normal. If you were to buy the stock for about \$16.50, your annual dividend yield would be 8.7%.

Investing \$60,000 into a stock that pays 8.7% would be enough to earn you \$5,220 every year in dividends. But that's not to say that you would want to nearly max out your TFSA on just one stock.

There are other REITs that pay [comparable yields](#) and you can also invest in other industries to help diversify your portfolio and your dividend.

But now, with many dividend stocks down and struggling, it's a good opportunity for dividend investors to secure a great payout. If your marginal tax rate was 30%, then \$5,220 in tax-free dividends would be the equivalent of earning more than \$7,400 per year at your day job.

That could allow you to take on a lower-paying job that may be a better fit for your lifestyle, or you could work fewer hours.

Bottom line

If you've got money saved up, now's a great time to use it given the attractive yields that are available in the markets today.

By securing recurring income sources, you can strengthen and stabilize your financial future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
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