



TFSA Stocks: Get \$316 a Month Tax-Free and Avoid the CRA

Description

If you're going to invest, invest in a TFSA. By holding stocks in a TFSA, you skip all taxes and keep 100% of your returns. By 2021, you'll have up to \$75,500 worth of TFSA contribution space. That's enough to generate \$316 a month — or more — tax free. In this article, I'll explore how to do that.

Buy dividend stocks in a TFSA

By buying and holding dividend stocks in a TFSA, you can generate [tax-free passive income](#) the CRA can't touch.

Technically, the same is true of any stock you hold in a TFSA. But dividend stocks generate income on autopilot, eliminating the need for active trading decisions. This is ideal for people who want to invest rather than trade. If you depend on a nine-to-five job for income, that's you.

As mentioned, the TFSA limit for 2021 will be \$75,500. You could get to \$316 a month in dividend income by using only part of that space. For example, if you invested \$50,000 at a 7.5% yield, you'd get \$3,792 in annual dividend income. On a monthly basis, that works out to \$316. Not bad for a relatively small investment.

A great pick for passive income

If you're looking to generate big yields like the one just mentioned, there are several stocks that will allow you to do just that.

One is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). At current prices, it yields about 7.9%. It pays its dividend [quarterly rather than monthly](#), so you don't get paid every single month. But you can get paid a quarterly amount that works out to the equivalent of \$316 a month.

If you invest \$50,000 in ENB shares, you get \$3,950 in annual dividends. That works out to \$329 per month. That's even more than the \$316 a month just outlined! And your yield could grow over time.

Enbridge has a long history of dividend increases. Sometimes more than 10% a year. If you hold your Enbridge shares, and the payouts keep increasing, then you'll be getting much more than \$329 a month in dividends.

The only question is whether Enbridge *will* keep raising its dividend. This year, the company ran into some problems because of the COVID-19 pandemic. Demand for oil tanked, resulting in lower revenues for Enbridge. If the company's problems persist after the pandemic is over, then maybe there'll be no dividend increases coming. But Enbridge has a long history of coming out of crises bigger and better. For example, it successfully walked off the 2014/2015 oil price collapse to deliver more and bigger dividends.

Foolish takeaway

As shown in this article, you can easily get \$316 in monthly income in a TFSA. In fact, you can get much more than that. The examples in this article assumed only a \$50,000 contribution, and you can actually contribute \$69,500 this year, which will grow to \$75,500 next year. So, even with yields lower than Enbridge's, \$316 a month is very doable. Of course, if you actually want to be paid monthly, you'll have to find monthly paying dividend stocks. Those do exist, but most dividend stocks pay quarterly.

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andrewbutton

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