Canada Revenue Agency: Hate Taxes? 1 Simple Tip to Pay Little Taxes for Your Stocks

Description

Most investors know that to save taxes from the Canada Revenue Agency, you can invest in registered accounts like TFSAs or RRSPs. However, here's a simple tax-saving tip that you may not be taking full advantage of.

Many Canadian investors hold dividend stocks like **BCE**, **Fortis**, and **Royal Bank of Canada** in non-registered accounts to enjoy the favourably taxed eligible dividends. However, you're still paying income taxes every year on the dividends.

On the contrary, capital gains are tax-free — until you sell. That is, you can defer the taxes on capital gains until you retire, at which time your marginal tax rate should be much lower.

So, it may make better sense tax-wise to hold dividend stocks in registered accounts and long-term-growth stock positions in non-registered or taxable accounts.

An incredible growth stock that's priced right

One awesome growth stock that is an absolute joy to own is **MTY Food Group** (TSX:MTY). Over the last 20 years, the stock has delivered total returns of +26% per year — it's more than a 100-bagger! Over the last 10 years, the growth stock still handily beat the market with total returns of +20% per year.

In +35 years, MTY Food Group has collected more than 80 brands — some were developed from scratch, while others were acquired — including Thai Express, Jugo Juice, Taco Time, Koya, Manchu Wok, Big Smoke Burger, Timothy's, and many more. It has about 7,441 locations in its network, of which nearly 98% are franchised.

MTY Food Group started off growing its food court empire, until about three years ago, it began expanding into the casual dining space.

In any case, the company remains a patient investor and won't make acquisitions, unless they're a good fit and the valuations are good.

Moreover, MTY Food Group has a long track record of turning EBITDA into cash flow. In the last quarter, system sales passed $1 billion for the first time in the company's history — an increase of 36% against Q3 2018. This translated to revenue growth of 44% to $163 million. The strong top-line growth was thanks largely to the acquisition of Papa Murphy's.

Although its normalized EBITDA margin contracted by a whopping 8.6%, it was still admirable at 25.8%. Moreover, free cash flow generation was still strong at more than $26 million.

At about $57 per share as of writing, the growth stock trades at a price-to-earnings ratio of about 18, which is a decent valuation. MTY Food Group stock makes an excellent holding in a non-registered account, as it pays a small yield of about 1.2%, with little tax commitment required of shareholders, and offers long-term growth potential.

Furthermore, the company should thrive in recessions given the spaces it operates in, because casual dining and eating out at food courts will not break the bank.

Investor takeaway

Hold long-term growth stock positions in non-registered accounts to enjoy tax-deferred growth until you sell shares as you need the money during retirement, at which time your marginal tax rate should be much lower.

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