



## The Canada Revenue Agency Can't Tax This TFSA Monthly Income Stream!

### Description

Your Tax-Free Savings Account (TFSA) is an invaluable vehicle that can not only help you build wealth over the long term through the power of tax-free compounding (dividend reinvestment), but it can also supplement your currently monthly income to help you live better in the now.

A lot of personal finance pieces encourage investors to save, save, save — to sock away anything they're able while using the proceeds to invest in the bluest of blue chips, with dividends that must be reinvested. And while reinvesting every penny of your dividends is highly recommended to maximize wealth creation over the long term, the reality is that many Canadians stand to gain more utility (happiness) by sustainably improving their lifestyle *today* through a TFSA passive-income fund.

The keyword here is *sustainably*. By spending the dividends you'll receive and not touching your invested principal, you can treat yourself to those lattes without having to worry about a magnitude of lifestyle creep that could cause you to erode the nest egg you've worked so hard to save over the years.

When it comes to personal finance, lifestyle creep is like a bad word. But it doesn't have to be like that if you can increase your monthly budget without eroding your TFSA principal.

Every Canadian is different, and not everyone desires to live extremely frugally today to enjoy a better quality of life down the road. It's about striking a balance, and with stocks like **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) in your TFSA fund, you can have your cake and eat it too.

The stock has a bountiful 4.4% dividend yield, which, when invested with \$69,500 in TFSA funds, could add \$255 in tax-free monthly income. It's not even close to the amount you can retire on, but it can help you finance that big **Apple** iPhone purchase or those frequent lattes, if these are the things that bring you joy.

Best of all, by spending the dividends you'll receive, you're not sacrificing the growth of your invested principal. Given Shaw's favourable position as a disruptor in the Canadian wireless carrier scene, Shaw is in a position to take share from its competitors over the next several years, as it forces them to play in its arena (one of lower prices, no data overages, and unlimited mobile data plans).

If you're one to believe that Shaw can reach a "Nash equilibrium" with the incumbent players in the Canadian wireless market, Shaw stock will be subject to a higher magnitude of capital gains and dividend growth moving forward relative to its peers.

## Foolish takeaway

If you desire to spend your [dividends](#), feel free to do so, but make sure you strike a balance between saving for the long term and consuming in the near term. With the use of a TFSA, the CRA won't be able to tax your dividends or the capital gains that will build over decades. And with a stock like Shaw, you can give your monthly income a slight boost while still being well positioned to [grow your nest egg](#) over the years.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

### PARTNER-FEEDS

1. Business Insider
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### Author

joefrenette

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