Canada Revenue Agency: Here’s How You Can Pay ZERO Taxes in Retirement

Description

Who reading this wants their taxes to increase?

I don’t have a window into your living room, but I’m willing to bet your hands didn’t up.

Canadians hate paying taxes, and it’s easy to see why. Sure, we support teachers, nurses, and other government employees, but we just hate seeing waste in government. And even though there are thousands of civil servants doing their best to make government as efficient as possible, these efforts are often undone by a myriad of factors outside their control.

Paying fewer taxes also has another big advantage – more money in your pocket. Who couldn’t use a little more cash?

There’s an easy way Canadian retirees can lower their tax bills. In fact, it’s even possible to use this strategy to bring your total tax bill down to zero. And yes, it is fully legal. In fact, it’s even encouraged.

Here’s how you can drastically decrease your taxes owing during your golden years.

Insist on dividends

Depending on where you live, you can earn up to $50,000 without paying a nickel of taxes. This rule applies in places like B.C., Alberta, and Ontario.

There’s just one big condition. That income must all come from dividends paid out by eligible Canadian companies. Most companies on the Toronto Stock Exchange meet this condition, with a few notable exceptions. Basically, any stock that has a ticker symbol ending in .un won’t meet the criteria.

The Canadian government wants to encourage investment in local firms. It boosts the stock market, creates jobs, and helps investors get wealthy in the process. This tax break is designed to encourage tax payers to do the right thing.

Even if you have some pension income – like from the Canada Pension Plan or Old Age Security – a portfolio spinning off dividends will still be taxed at an extremely favourable rate. Say you make $10,000 from CPP and OAS and $50,000 annually from dividends. Total tax owing on that amount for Ontario residents will be a mere $1,317 for a total tax rate of just 2.2%.

And remember, both you and your spouse can use this trick to reduce your total taxes outstanding. If you both earn $50,000 in annual dividends and it’s your only earnings, you can have a household income of $100,000 and not pay a nickel of tax. If both spouses earn $10,000 in pension income and $50,000 in dividends, you’ll have a household income of $120,000 and a total tax bill of $2,634. That means you’d keep $117,366.

Compare that to a couple who both make $60,000 per year the old-fashioned way – by working for a living. These folks would pay a total of more than $20,000 per year in taxes if they lived in Ontario. Total household income would fall from $120,000 to $98,206, and that’s before deducting other mandatory expenses like CPP and EI.

By the time you’re done paying all these expenses, your $120,000 annual household income could easily fall to $90,000. Isn’t a dividend-centric approach all the sweeter now?

But wait. There’s one last thing. If you combine this strategy with aggressive saving inside your TFSA, you could easily double your annual tax-free income. Remember, a $1.25 million TFSA could easily spin out $50,000 per year in income that isn’t taxed. Sure, it’ll take a few decades to grow your TFSA that big, but it’s easily possible for younger folks.

The bottom line

You’re not breaking any rules by positioning your portfolio to collect succulent tax-free dividends. The CRA wants you to do exactly that. These benefits are also why it’s unlikely this fully legal tax loophole will close anytime soon.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/18
Date Created
2019/12/05
Author
nelsonpsmith