



Canada Revenue Agency: You Can't Avoid Death, but You Can Avoid TFSA Taxes

Description

Benjamin Franklin was quoted as saying, "In this world, nothing can be said to be certain, except death and taxes." The famous quote is only partly accurate for TFSA users. Between death and taxes, you can avoid paying taxes to the CRA if you manage your TFSA properly.

Don't be an active trader

The CRA is hot on the trail of users who make a living out of the TFSA. Remember, the account is available to you to invest and grow money for your future financial well-being. Frequent trading is prohibited. The tax agency can take you to court for the judge to rule that all gains are [taxable business income](#).

However, if your holding is **Capital Power** (TSX:CPX), there is no need to indulge in offside trading practices. You don't have to worry about paying unnecessary taxes. This \$3.63 billion independent power producer is a utility stock. Utility stocks are known to be recession-proof and recession-resistant investments.

What you have in Capital Power is an industry pillar that has been operating for 128 years. This stock is one of the most stable companies in the electric utility industry of Canada. Its 5.71% dividend is adequate to [boost your after-tax income or retirement savings](#) depending on your investment objectives.

The total power-generating capacity of Capital Power is 6,000 megawatts. Lately, it is focusing on safer renewable energy sources while moving away from its legacy coal-powered plants. The company is fully supportive of near-zero emissions in power generation.

On a year-to-date basis, the stock's gain is 33.82% with analysts projecting 17.5% upside in the next 12 months. Tuck in the dividend yield, and you can realize higher returns in 2020. The key takeaway is the low-risk business model. Since IPPs are regulated, cash flows are stable and increasing.

Choose the right investments

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is not only an acceptable security but an ideal stock for TFSA investors with low-risk profiles. Investing in this bank stock within your TFSA is like adding the friendliest investment in your portfolio.

The Income Tax Act mandates that for a stock to be a qualified investment for a TFSA, the company should be listed on the TSX. Also, BMO is the first ever Canadian company that paid dividends to shareholders. If that doesn't impress you, the practice of paying dividends started way back in 1829, or some 187 years ago.

Today, the bank is the fourth-largest lender in Canada with a market capitalization of \$64 billion. BMO has kept investors whole on dividends payouts through strategic investments, notwithstanding recessions and cyclical markets.

With the stock paying 4.25% dividend and assuming the yield holds for another 35 years, a \$290,000 investment could be worth over \$1 million.

Avoid the common pitfall

The common pitfall of TFSA users is overcontribution. You don't want to receive notices from CRA due to ignorance of the contribution limits. Be a responsible TFSA user by knowing the limits by heart. That is the sure way of avoiding paying taxes and ensuring that all earnings from BMO and Capital Power are tax-free.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:CPX (Capital Power Corporation)

PARTNER-FEEDS

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

5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/20

Date Created

2019/12/13

Author

cliew

default watermark

default watermark