TFSA Pension Income: Make $6,000/ Year That Canada Revenue Agency Can't Tax

Description

As the time to retire draws closer and closer, Canadian retirees are looking toward options they can use to bolster their income without incurring more taxes.

There are several ways that Canadians can earn a retirement income, including company pensions, CPP, RRIF payments, OAS, and part-time jobs they can do in their golden years. The only thing is that they are all considered taxable as most income sources.

The best possible way to earn an income without the need to hand over a significant chunk to the government as taxes is by making it inside your tax-free savings account (TFSA).

The TFSA is an account type that you can use to hold a certain amount of cash or assets equivalent to that amount with an increasing contribution limit every year.

As of 2019, the maximum contribution room Canadians have is $63,500, and you can expect it to increase by a further $6,000 in 2020. Together, you and your spouse have the maximum contribution room of a total of $127,000.

Investing in dividend-paying stocks like **Telus Corporation** (TSX:T)(NYSE:TU) and **BCE** (TSX:BCE)(NYSE:BCE) can allow you to earn a significant amount through dividend payouts every month. Let's take a look at both the companies and how much you stand to gain by investing equally in the stocks of both companies.

Telus

Telus is one of the biggest service providers in Canada's telecommunication industry. The company's services include a host of services that include wireless and voice data, managed information technology, and cloud-based services other than its internet, TV, and cell phone services.

At writing, Telus stocks are trading for $51.36 per share with a healthy dividend yield of 4.54%. With a market capitalization of $30.92 billion, the company's capital gains from the beginning of the year are almost 14% and rising. It is a safe company to invest in with a reliable track record of paying dividends to its shareholders every quarter.

BCE

Formerly known as Bell Communications Enterprises, BCE can be another excellent prospect to consider so you can boost your retirement income through its dividends.

BCE is a $58.24 billion market capitalization company, effectively making it a larger entity in Canada's telecom industry. Its comprehensive services cater to Canadians all over the country, and it generates steady revenue each year.

Being such a large company, BCE stocks trade for $64.45 per share, with a dividend yield of 4.92%. The company is one of the largest entities in a telecom sector that's the best in the world. BCE also continues to increase its revenue through raised prices to customers and acquisitions.

BCE has posted a robust dividend growth over the long term thanks to its disciplined approach to increase profitability. The more the company earns, the higher its dividend payments. In the past 10 years alone, BCE has doubled the dividends it pays to shareholders.

Foolish takeaway

With an investment of $63,500 in Telus stocks, you can earn $2,883/year through dividends, and an equal stake in BCE stocks can help you make $3,124/year. Between the dividends of both BCE and Telus, you can make an additional $6,000 each year – and all of it will be tax-free!

CATEGORY

1. Investing

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2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:T (TELUS)

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