



Sidestep the CRA and Secure Your Retirement With Dividend Income

Description

Eligible dividends are taxed at the lowest rate compared to all income types. In fact, up to a certain threshold, the Canada Revenue Agency may not be able to tax a single dollar at all.

That's why all investors, especially retirees, will benefit from having a well-thought-out, diversified dividend portfolio to generate passive income.

For example, if you are a British Columbian, you can earn up to \$48,535 of eligible dividend income in 2020, and the CRA can't tax you anything — if that's the only income you earn. Even if you ascend to the next tax bracket and earn up to \$83,451 of dividend income, you'll only need to pay \$569 of income taxes.

Here is a [solid dividend stock](#) that offers safe eligible dividends to get you started.

Scotiabank offers a safe yield of 5%

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) has paid dividends continuously for 187 years through numerous recessions. So, you can count on its dividend.

Recessions don't occur often, but when they do, they are terrifying and mind-boggling for most investors. Since 1929, Scotiabank has survived 12 Canadian recessions and subsequently thrived.

In our last recession of 2008-2009, which was triggered by a global financial crisis, from peak to trough, BNS stock fell 40%, but it kept its dividend intact. That's ultra important for retirees that rely on dividend income.

One reason the bank was able to keep its dividend safe is that it consistently maintains a payout ratio of about 50%. This leaves a big margin of safety to protect the dividend.

Additionally, Scotiabank's earnings started recovering within one year of the recession. Prompt recovery of its profits resulted in a swift recovery of its stock price.

Currently, [Scotiabank](#) provides a juicy yield of 5%, which is an awesome value for the safe dividend stock.

Recessions are an opportunity to build wealth

It's important to keep in mind that recessions are only temporary. According to *The Canadian Encyclopedia*, recessions usually last for three to nine months. The 2008-2009 recession lasted for seven.

Bear markets and stocks deeply in the red may cause butterflies in your stomach. However, such markets are rare opportunities to build tremendous wealth.

If you'd bought BNS stock at the 2009 bottom, you would have earned total returns of more than 12% per year, despite the stock being undervalued today. Furthermore, you would have collected (almost) your full investment back from its distinguished dividends alone!

Investor takeaway

Populate your dividend portfolio with quality stocks backed by wonderful businesses that you'll be comfortable holding through nerve-wracking bear markets. When a recession occurs, embrace it, as it creates opportunities for you to buy stocks at basement prices!

CATEGORY

1. Bank Stocks
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1. NYSE:BNS (The Bank of Nova Scotia)
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