



## Canada Revenue Agency: 3 Things to Lower Your Taxes in 2020

### Description

Think taxes are unavoidable? Indeed, we can't evade taxes entirely, but we can certainly lower them. Here are three things that can lower your income tax in 2020.

### The basic personal amount

The basic personal amount (BPA) is increased to \$13,229 in 2020 (from \$12,069) for Canadians whose net income is less than or equal to \$150,473 for the year.

The BPA is meant to help Canadians cover their most basic needs; it means you don't pay any federal income tax up to \$13,229 of income this year if you're one of these Canadians!

### TFSA

This year, Canadians get another \$6,000 of contribution room for their Tax-Free Savings Accounts (TFSAs). If, in previous years, you made withdrawals (and did not contribute the amounts back in) or did not maximize contributions, you'd have more tax-free contribution room.

Invest your top ideas in your TFSA first before investing in your non-registered account so that you can get the tax-free compounding machine rolling.

You'll save lots of taxes by making strategic trades and booking capital gains in your TFSA, instead of doing so in a non-registered account, since capital gains are taxed at higher rates than dividends for low tax brackets.

Of course, if you buy dividend stocks in TFSAs, you'll shelter the dividends from taxes anyway.

Growth stocks like **Tesla** and **Shopify** are leading the roaring bull market. Hence, it's more difficult to find stocks with great price appreciation potential, including **Stella-Jones** ([TSX:SJ](#)), which has a 12-month upside potential of 26%, according to the analyst consensus.

Stella-Jones is similar to a consumer staples in the basic materials sector. It provides pressure-treated wood products to railroad operators and electrical utilities and telecom companies in North America.

Essentially, Stella-Jones makes railway ties, timbers, and utility poles for these companies, as the wooden products must be replaced periodically! There's no way around it for these companies, because the wooden products are necessary for the safe operation of their businesses.

Investors are blessed with a breathtaking buying opportunity in [Stella-Jones](#) stock at a wonderful valuation thanks to a rare change up in management: a new CEO stepped up to the role subsequent to the old CEO stepping down after 18 years.

Additionally, Stella-Jones is a Dividend Aristocrat with 15 consecutive years of dividend increases. Although its yield is small at 1.5% at writing, its dividend can grow quickly.

SJ stock's three-year dividend-growth rate was close to 12%. Typically, stocks with high dividend growth are followed with great price appreciation!

## Dividends

Dividends enjoy lower tax rates than your job's income. They are also taxed at a lower rate than capital gains for low tax brackets. So, it's logical to hold [dividend stocks](#) in non-registered accounts if you have maximized your TFSA for capital gains.

My most recent dividend stock buy is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), which has dipped. BNS stock offers a yield of 5%, which appears to be supporting its stock price.

This is super positive, as the international bank will be increasing its dividend soon. Considering the dividend hike will drive the yield higher, it can trigger a turnaround in the dividend stock.

Scotiabank has more to offer than just a juicy dividend yield. Value and growth are also in the mix. Its focus on Pacific Alliance countries has higher provisions for credit losses and are, therefore, viewed as higher risk than its home business. Essentially, it's taking on a bit more risk for higher growth in these geographies.

As the third-largest bank in Canada, its core Canadian business is highly profitable, permitting the bank to generate a fabulous five-year return on equity of 14%. This business alone covers its dividend with cash leftover. For that reason, investors can be confident about Scotiabank's dividend safety.

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1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:SJ (Stella-Jones Inc. )

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