TFSA Investors: Pay ZERO Taxes to the CRA With These 2 Dividend Stocks

Description

When you go on a capital growth venture, it is difficult to get around the Canada Revenue Agency (CRA), unless you have a TFSA or RRSP account in your name. Both these accounts protect the growth of your investment from taxes.

The TFSA, however, has an edge on the RRSP because it allows you to withdraw the proceeds without paying a cent in taxes. You don't get this luxury with RRSP, where withdrawal of profits means paying income tax on it.

So, the TFSA is the way to go for establishing a tax-free income stream. You may think it sounds easier said than done. I concur. If opening a TFSA was all that it took to earn tax-free money and keep your principal investment safe, then everyone would open it.

But we know that's not the case. Opening a TFSA is just the first step. The most important thing is what fruits you are going to put in the TFSA basket.

While keeping in mind the market performance of the recent past, I think these two dividend stocks could be valuable additions to your TFSA portfolio.

Enbridge

Enbridge is the biggest energy supply chain enterprise in the North American region. It takes care of LNG and crude oil shipping across the length and breadth of the continent. Being an energy stock, Enbridge has struggled in the last five years, primarily due to the skepticism of investors about the energy sector.

However, the performance of Enbridge doesn't reflect what's happening on the energy front. Enbridge has witnessed excellent earnings before taxes growth from 2016 onward. Even the five-year stock growth of 19.47% is not bad, given the rough patch energy sector is going through.

Most importantly, the company has increased its dividend yield every year. Currently, it stands at

6.22%.

Fortis

Fortis is one of the leading utility companies of North America, providing electricity to consumers from Canada to the Caribbean. Utilities usually don't experience a decline in demand, thus providing Fortis a good defence against any future recession bump.

Fortis has been increasing its dividend every year since 1976. Currently, the stock yields 3.22% on investment. So, if you dedicate the entire TFSA contribution of $10,000 to Fortis shares, you will earn a $322 tax-free annual income.

Fortis is also planning to increase its payout ratio in the next five years by 6% every year. This carefully planned gradual increment indicates that the company doesn't just want to make its dividend profile look good but is also serious about future expansion plans.

Summary

In your TFSA, you want to hold stocks that offer good dividend yield along with good prospects of growth in the future. Enbridge and Fortis tick both these boxes. If you want to have some annual income without paying anything from it to the CRA, then these two stocks are worth considering.

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