Hate Taxes? 3 CRA–Approved Ways to Lower Your Tax Bill

Description

It's tax season. If you're like me, you may wonder whether there are ways to keep more of your money and pay less in taxes.

The answer is yes, thanks to three valuable savings tools. Depending on your age, income, and family situation, each of these accounts offer unique tax-advantaged benefits.

RESP

Do you have children who may one day desire post-secondary education? If so, a Registered Education Savings Plan (RESP) is a great way for parents to save money for their child's education after high school.

The tax advantage of the RESP is that all earnings, including capital gains and dividends, accumulate tax-free until withdrawn. When the funds are withdrawn, the proceeds are counted as income of the student, who is most likely in a low- or zero-tax bracket, which means the gains are essentially tax-free.

A RESP can be used to pay for the costs of qualified programs of study including apprenticeships, CEGEPs, trade schools, colleges, and universities.

One benefit of a RESP is that the Government of Canada will match up to 20% of annual RESP contributions up to $2,500 for each child through the Canada Education Savings Grant (CESG), to a maximum of $7,200 per child.

TFSA

The biggest advantage of a Tax-Free Savings Account (TFSA) is that all of the money, including dividends and capital gains, grows tax free. When you withdraw your money, you pay absolutely zero in taxes!

The 2020 TFSA contribution limit is $6,000. This brings the total contribution room available in 2020, for someone who has never contributed and has been eligible for the TFSA since its introduction, to $69,500.

You can open a TFSA at any time. Even if you’ve missed a year or more of contributions, you’re allowed to catch up on contributions as long as they don’t exceed the maximum allowable amount.

RRSP

A Registered Retirement Savings Plan (RRSP) allows you to contribute pre-tax dollars, thereby delaying tax payments into the future. Another benefit for many Canadians is that their employers match a portion of their RRSP contributions.

You have until March 2, 2020 to make your final RRSP contributions for 2019.

One stock to consider

For each of these tax-advantaged plans, invest in great stocks that have consistently rewarded long-term shareholders through dividends and/or impressive stock growth. One stock to consider is **Emera Incorporated** (TSX:EMA).

This energy and services company headquartered in Halifax, Nova Scotia, has a market cap of $14.2 billion. The company’s electricity and gas generation, transmission, and distribution services are located throughout Canada, the U.S., and the Caribbean.

Emera’s stock has outperformed both the **TSX** and the TSX utilities index in the past three-, five-, 10-, and 20-year periods, with its 20-year annual returns hovering around 11.5%! As of this writing, the stock is trading at $59 per share, near its 52-week high of $60.94.

Emera also pays a great dividend with a long track record of dividend increases. The current yield is 4.20%. The company has increased its dividend at a compound annual growth rate of 6% since 2000, and the company expects to grow the dividend by at least 4% to 5% through 2022.

The company is scheduled to report its fourth-quarter 2019 results on February 18, before the markets open.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

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Date
2025/07/26
Date Created
2020/02/12
Author
cdye