



Canada Revenue Agency: How Retirees Can Earn Huge Income and Pay ZERO Taxes

Description

When this year kicked off, I'd discussed how investors could respond to a [key change](#) that has been introduced to give Canadian citizens financial relief. There is also support on the way for retirees. The federal government has pushed through Canada Pension Plan (CPP) enhancements that are aimed at giving further financial relief as the cost of living continues to increase.

Taxes are an ever-present burden for working Canadians, and unfortunately, this will not go away in retirement. CPP retirement pension and Old Age Security (OAS) pension payments are both considered taxable income. So, where does that leave retirees who are hungry to gobble up tax-free income? Let's look at some alternatives.

Selling a home in a hot market

Many fortunate Canadians will have the privilege to call themselves homeowners when they retire. For those who are looking to downsize, there may be no better time than now to cash in. The Canadian housing market has bounced back in 2019 and early 2020 after encountering some turbulence in 2017 and 2018. As most homeowners should know by now, the proceeds for the sale of your primary residence are tax free.

Better yet, let's look at how retirees can gobble up big monthly income without paying a dime in tax.

Turn to the TFSA

The Tax-Free Savings Account offers another appealing avenue for retirees to soak up income without having to pay any taxes. In late 2019, I'd discussed several stocks that were well suited to provide [big income to TFSA investors](#). Let's take a quick snapshot at a few more that fit the bill.

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a Calgary-based oil and natural gas company. Its shares have climbed 15% year over year as of close on February 20. Pembina is carrying forward a high level

of debt into this fiscal year, but it is an established dividend payer that also boasts nice value at the time of this writing.

The stock possessed a price-to-earnings (P/E) ratio of 17 and a price-to-book (P/B) value of 2.2 as of close on February 20. These are favourable levels in comparison to industry peers, and Pembina is forecasting solid revenue and earnings growth for the quarters to come. Pembina last paid out a monthly dividend of \$0.21 per share. This represents a solid 4.7% yield.

A purchase of 200 shares of Pembina at its last closing price of \$53.22 would carry a price tag of \$10,644. Those shares would pay out a total of \$42 tax-free if held in a TFSA. That works out to over \$500 on an annual basis.

REITs are a great alternative for investors who are looking to delve into real estate without owning tangible property. **Plaza Retail REIT** is a nice option for those who are on the hunt for a strong dividend. Its stock has increased 17% year over year as of close on February 20. REITs have broadly performed well in the face of a soft rate environment and improving conditions in the real estate sector.

Plaza Retail REIT has been an extremely reliable dividend payer, and it also boasts nice value as of close on February 20. The stock last possessed a favourable P/E ratio of 11 and a P/B value of one. Its stock last paid out a monthly distribution of \$0.02333 per share, which represents a tasty 5.9% yield.

Shares last closed at \$4.71 at the time of this writing. A purchase of 2,200 shares would cost investors \$10,362. However, shareholders would also accumulate \$51 in tax-free income on a monthly basis.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PLZ.UN (Plaza Retail REIT)
3. TSX:PPL (Pembina Pipeline Corporation)

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