



## Canada Revenue Agency: How to Generate a Million and Pay Zero Taxes

### Description

Canada has a couple of retirement benefit plans in the form of the Canada Pension Plan (CPP) and Old Age Security (OAS). However, these retirement payouts will not be enough to maintain the current lifestyles of many Canadians. Thus, retirees need to supplement these payouts to live comfortable lives.

### Canada Revenue Agency: Tax-free wealth generation

The Tax-Free Savings Account (TFSA) can be of immense help here. All the income generated within your TFSA, such as dividends, interest, or capital gains, will be tax-free at withdrawal. Canadians can use it to generate significant long-term wealth. The TFSA contribution limit for 2020 is \$6,000. If one has not used TFSA until now, the maximum contribution limit is \$69,500. This limit even extends to \$139,000 for some millennial couples.

Luckily, the stock markets have calmed a bit in the last few weeks after the massive turmoil in March. The **TSX Composite Index** is still 20% lower to its record highs early this year. This weakness can still be used as an opportunity by long-term investors. TFSA investors can hold high-quality Canadian businesses that can deliver consistent returns to generate a retirement reserve.

There are few TSX stocks that can generate consistent returns over the long term. Investors can hold them in their TFSAs to create a tax-free retirement fund.

### TSX stocks that one can hold for long term

Amid the pandemic-driven uncertainties, TSX stocks with a proven track record along with stable earnings and dividends could be prudent to hold for the long term. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) could be one such stock to hold in your TFSA. The biggest company in the country by market capitalization has been there for centuries. It has seen many crises in the past and has only emerged stronger through the years.

It has been paying [dividends](#) for the last 130 years and yields 5% at the moment. The recent market weakness, driven by the pandemic, drove Royal Bank stock lower. Its upcoming quarterly earnings could take a hit. However, a couple of weak quarters should not bother long-term investors. Its large scale, strong balance sheet, and diversified earnings place it well ahead of peers to weather the challenging times.

Royal Bank of Canada stock delivered compounded annual returns of 14% in the last 20 years. A contribution of \$69,500 would have become close to a million in the last two decades. Also, holding Royal Bank stock in your TFSA would make dividends and capital gains tax-free.

Importantly, investing an entire TFSA contribution in one stock is not advisable. Diversification will play a big role in long-term investing in terms of risk as well as stable return generation.

Investors can also consider TSX growth stock **Constellation Software** to generate tax-free wealth. The [unique technology company](#) has delivered compounded annual returns of 41% in the last decade. Notably, growth stocks could help achieve a financial goal much faster compared to a stable stock like Royal Bank of Canada. However, one should also have an above-average risk appetite to digest their excessive volatility.

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