



TFSA Investors: How to Earn \$410 in Monthly Income and Pay Zero Taxes to the CRA

Description

The Tax-free Savings Account (TFSA) is a versatile and flexible investment account for Canadians. While TFSA contributions are not tax deductible, any withdrawal in the form of dividends or capital gains is tax-free. This program began back in 2009 and provides Canadians over the age of 18 to set aside tax-free money throughout their lifetime.

The TFSA contribution limit for 2020 stands at \$6,000, while the total TFSA contribution limit is \$69,500. At a time when markets remain volatile, it seems a good bet to invest in quality dividend-paying stocks. The recent market correction has meant several stocks are trading at attractive forward yields.

Shares of banking giant- **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is trading at \$82.61. This is 29% below its 52-week high, indicating a forward yield of a tasty 7.1%. This means an investment of \$69,500 will result in annual dividend payments of \$4,913.

CIBC stock is a TSX heavyweight with a market cap of \$36.8 billion. Here's why it remains a good bet for long-term TFSA investors.

A banking stock that has survived multiple recessions is ideal for your TFSA

CIBC [was established in](#) 1961 and the company has survived multiple downturns and economic recessions. The ongoing COVID-19 pandemic has investors worried for good reason. The unemployment rate in North America is spiking to unprecedented levels. This will not only lower consumer demand, but also increase default rates for mortgages.

In case countries are hit by a second wave of the dreaded virus, economic activity will plummet. It will also mean fears of a global recession will come true, further impacting equity markets. You want a company with a strong history of surviving economic shocks, and CIBC is one such financial giant.

A look at CIBC's valuation and other metrics

CIBC is one of Canada's Big Five banks whose [profit margins have been north of](#) 26% in each of the last five fiscal years. Further, company profits have increased from \$3.5 billion to \$5 billion in this period.

CIBC stock has a forward price to earnings multiple of 8. Its price to sales ratio is 1.96 with a price to book ratio of 1. Analysts expect revenue to rise by 2.5% to \$19.08 billion in 2020 and 1% to \$19.27 billion in 2021.

The company will be announcing its quarterly results this week and investors will be keen to know CIBC can manage to hold its own amid an uncertain and volatile environment. Analysts tracking CIBC stock also have a 12-month average target price of \$94.6, which indicates an upside potential of 14.5%.

Including its dividend yield, total returns might rise above 20% in the next year if the market continues to move higher. CIBC has high exposure to Canada's housing market. But its strong fundamentals and low valuation make the stock a dependable pick.

CIBC stock is just an example for your TFSA. You need to pick similar dividend-paying stocks trading at an attractive valuation to diversify your TFSA portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks

3. Investing

Date

2025/07/08

Date Created

2020/05/26

Author

araghunath

default watermark

default watermark