# TFSA Income: How to Make $95/Week in 2020 and Pay Zero Taxes to the CRA

## Description

Canadians of all ages would like to pay lower taxes to the Canada Revenue Agency (CRA). The rising living costs, especially in major cities, are impacting people across age groups. Further, the COVID-19 pandemic has wreaked havoc this year, resulting in higher unemployment rates and a lower disposable income.



The pandemic has shown us the importance of creating multiple revenue streams to supplement your primary income source. While you can take up a side job, this will also mean you have less free time and could bump you into a higher tax bracket.

One way to create a predictable stream of income without paying additional taxes is to hold dividend stocks inside a TFSA (Tax-Free Savings Account). The TFSA was introduced back in 2009, and this registered account has a cumulative contribution limit of $69,500. For 2020, the TFSA contribution limit stands at $6,000.

While TFSA contributions are not tax deductible, any withdrawal in the form of capital gains or dividends is exempt from CRA taxes, making it an ideal account to hold dividend investments.

## Why Pembina Pipeline is ideal for your TFSA?

**Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is a quality Canadian company in the energy sector. Due to the weakness in crude oil prices and the ongoing pandemic, energy stocks are trading significantly lower in 2020, despite a broader market rebound.

Shares of Pembina Pipeline are trading at $35.41, which is 34% below its 52-week high. This pullback has increased its dividend yield to a tasty 7.12%. This means a $69,500 investment in Pembina stock will generate $4,948 in annual dividend income. Pembina pays a monthly dividend, which will mean you can make $412 a month, or $95 a week, by investing in this energy giant.

Pembina has a contract or fee-based business model, which ensures its cash flows remain stable across business cycles, making a dividend cut highly unlikely. While oil production companies experienced their worst quarter in several decades, Pembina managed to increase its EBITDA by 3% year over year at $789 million.

However, its net earnings fell by 62% to $253 million due to non-cash factors, including a higher deferred tax rate and unrealized losses on commodity-related derivatives. Pembina forecast adjusted EBITDA to remain between its previously disclosed guidance range of $3.25 billion and $3.55 billion.

The pipeline company continues to enhance its liquidity position in the June quarter by establishing a new $800 million revolving credit facility and terming out $850 million of debt drawn on its existing credit facility. Its liquidity position at the end of Q2 stood at $2.8 billion with no debt maturities in 2020 and about $600 million in 2021.

In Q1, Pembina deferred capital expenditures by $4.5 billion and is on track to reduce its 2020 capital-investment plan by $1.1 billion.

## A Dividend Aristocrat

Pembina has paid dividends every year since 1997 and has increased these payments at an annual rate of 5% since 2011. The energy infrastructure company generates over 90% of revenue from fee-based contracts and 80% of the contracts are with investment-grade counterparties.



Pembina's attractive dividend yield, strong balance sheet, liquidity position, and low payout ratio makes it a top dividend stock for your TFSA. However, Pembina is just an example of a quality company and you need to identify similar blue-chip stocks that are Dividend Aristocrats and have the potential to create significant long-term wealth.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

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**Date**
2025/08/29
**Date Created**
2020/08/20
**Author**
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