Canada Revenue Agency: How to Pay $0 in Retirement Taxes

Description

The year 2020 has been a strange and unforgiving one for everybody. However, we have managed to make the best of it in Canada, and we have another harsh reality waiting for us in 2021: tax season.

The income tax for 2020 will be quite strange given that many Canadians will be counting their stimulus funds as taxable income. Regardless, paying our dues is necessary to keep the economy healthy. By the time you retire, you will pay plenty of taxes through your regular income.

What if I told you there *is* a way to make money that can let you keep 100% of your money by the time you retire?

TFSA tax-free advantage

The Tax-Free Savings Account (TFSA) is your answer for an utterly tax-free retirement fund. This account type provides you with the advantage of enjoying all of your money in the account, including capital gains and dividends, to grow tax-free. It makes the TFSA an ideal way to save money for your retirement and any other long-term financial goals you have.

The latest update to the TFSA contribution limit added $6,000. It means that the total amount you can contribute to a TFSA for 2020, if you have not contributed before, is $69,500. If you have been maxing out the contribution room in your TFSA since its inception 11 years ago and you earned an average of 6% each year, you could have over $85,000 in your account!

Imagine getting better returns on investments in your TFSA throughout your career. You can end up with a massive retirement nest egg that the Canada Revenue Agency (CRA) can't even touch for income taxes.

Using your TFSA

Maximizing the contribution room in your TFSA does not necessarily mean using cash to fill the account and relying on returns through interest. There is a better way to use the contribution room to get ideal returns that can see substantial growth in your TFSA. One of the best things you can do with your TFSA contribution room is allocating it to dividend-paying stocks like **Telus Corp.** (TSX:T)(NYSE:TU).

Telus has averaged returns of 12.31% in the last decade. At its current share price, the stock offers its investors a juicy 4.93% dividend yield.

Telus is one of the most dominant operators in Canada's telecom industry. The company has more than nine million subscribers for its wireless services and has millions more for its wired line and television services. The company has also started operations in the healthcare and home security sectors.

The company purchased a high-end clinic to expand its reach to the healthcare enterprise solutions. Its purchase of ADT's Canadian operations allowed the company to enter the home security market and increase its revenue-generating capacity beyond traditional telecom services.

Buying and holding Telus shares in your TFSA can help you make massive profits through an impressive 12.31% compound annual growth rate that many other companies cannot match. With the rollout of 5G services and its expansion into other sectors, it is possible that Telus can offer you even more substantial returns.

Foolish takeaway

Paying taxes is an essential duty as a Canadian. The fact that everybody paid their dues allowed the government to allocate funds for such an impressive stimulus package that kept the economy afloat during the pandemic.

However, there are ways you can earn and save money for your retirement without having to pay a large chunk in taxes. Buying and holding shares of dividend-paying stocks like Telus in your TFSA is one of the best ways you can begin doing that.

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