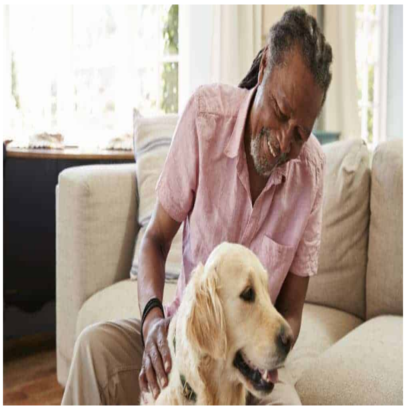

CRA Retirees: 2 Huge Tax Breaks You Can Take in 2020!

Description

With all the devastation caused by 2020, Canadian retirees have had to reconsider many of their retirement plans to cope with the changes. Being able to save as much money as possible has become crucial for retirees.

Besides cutting down on unnecessary spending, you can also save by reducing your tax bill. I will tell you about two massive tax breaks that you can use to minimize your tax bill.

The Canada Revenue Agency (CRA) has introduced several tax breaks over the years to help retirees or Canadians nearing retirement. The CRA calculates and implements most of them itself. However, there are a few others that you might be eligible for but have not received automatically.

Let's take a look at two of the most substantial tax breaks you should leverage as a Canadian retiree.

Age amount

The age amount tax break is a claim that all older Canadians can make regardless of their employment status. You can claim this tax break when you file your taxes in April next year if you are 65 years old or older and your income was lower than $87,750 last year.

If your income was lower than $37,790, you can claim an amount of $7,494 with this tax break. If your income was more than $37,790 but less than $87,750, you can receive a varying amount that the CRA will calculate after applying a 15% tax credit.

RRSP contributions

If you are a retiree, you might already know that any contributions you make to your Registered Retirement Savings Plan (RRSP) are tax deductible. It means that you can deduct your RRSP contributions from your tax bill in the next tax season.

You can also continue contributing to your RRSP after retirement until you turn 71 years old. Even if you retire at the age of 65, you can continue enjoying RRSP contribution tax deductions for six additional years until mandatory withdrawals begin at the age of 71.

How to use your tax savings

Between the RRSP contributions and age amount claims, you can save a substantial amount on your tax bill that you would otherwise have to pay to the CRA. Instead of using the amount as additional spending money, you can use it to fuel the further growth of your wealth.

If you invest your tax savings in a reliable dividend-paying stock like **Fortis** (TSX:FTS)(NYSE:FTS), you can see your tax saving amount grow significantly.

Fortis is an ideal stock to consider adding to your portfolio. It is a staple investment for various investment portfolios for its reliability and stability throughout the year. Even periods of economic uncertainty cannot affect its ability to generate stable and predictable cash flow.

Fortis operates in the utility sector and provides its services across Canada, the U.S., and the Caribbean. No matter how bad the economy gets, people will still need their electricity and natural gas supply. Fortis provides its customers with the utilities to continue generating income.

The company uses its predictable cash flow to fund dividend payouts to its investors easily. Additionally, the company invests its profits in improving its facilities, acquiring more assets, and increasing its revenue generation. Fortis is a Canadian Dividend Aristocrat that has been increasing its dividends for almost 50 years. It could be a valuable addition to your retirement portfolio.

Foolish takeaway

In these challenging times, you should make an effort to save as much money as you can. Using the two tax breaks, you can save substantial amounts on your tax bill, and you can use the amount as capital to invest in a dividend stock like Fortis to grow your account balance.

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