Got $3,000? Here Are 2 TFSA Dividend Stocks the CRA Can't Tax

Description

The stock market has been in a state of turbulence with the onset of COVID-19 and the ensuing lockdowns. After the initial drop in the broader market, the stock market has recovered. However, there is an increasing chance of another decline.

Despite the situation, the Canada Revenue Agency (CRA) will still be looking to collect taxes on your income. You need to take every measure you can to reduce your tax bill.

I will discuss **Fortis** (TSX:FTS)(NYSE:FTS) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY). Adding these two stocks to your Tax-Free Savings Account (TFSA) can help you earn dividend income that the CRA cannot tax.

Fortis

Fortis is a utility operator that provides power generation, electric transmission, and natural gas distribution services across Canada, the U.S., and the Caribbean.

Fortis's income primarily comes through highly regulated sources. It means that the cash flow for this utility provider is mostly predictable and reliable. People try to reduce their expenses when the economy is faltering to take care of their essential expenses.

Electricity and natural gas remain essential requirements for businesses and households regardless of how bad the economy gets. Fortis's customers can cut down many other expenses, but everybody needs their electricity and gas running.

The stock can generate ample income that it can use to finance its growing dividends. The stock's valuation at writing is $54.43 per share, and it is paying its shareholders at a juicy 3.71% dividend yield.

Royal Bank of Canada

Royal Bank of Canada is another staple investment for long-term investors. The financial institution is the largest Canadian bank by market capitalization and one of the top 15 banks worldwide.

Royal Bank of Canada entered the COVID-19 economy with an exceptional capital position. There is a lot of uncertainty surrounding the economic recovery amid the ongoing pandemic. Many companies might not be able to make it through to the other side if there is another major downturn.

However, RY has the kind of capitalization to pull through the current and incoming market turbulence. Despite its large loan-loss provisions, RY should be a safe investment for dividend seekers. The pandemic has resulted in a sell-off for all Canadian stocks, but Royal Bank of Canada has a good position to make it through the short-term difficulties.

The stock is trading for $97.67 per share at writing, and it has an attractive 4.47% dividend yield at writing.

Foolish takeaway

If you have $3,000 that you can use as investment capital, I would suggest splitting it between Royal Bank of Canada and Fortis due to the reliability of both dividend stocks.

Adding the dividend stocks to your TFSA will entitle you to generate passive income through the reliable payouts that the CRA cannot tax, provided that you don't make TFSA mistakes. Holding onto both Fortis and Royal Bank of Canada can help you generate substantial passive income over the years.

Additionally, your capital can grow through gradual capital gains by remaining invested in the companies.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

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