CRA Cash: 1 Stream of Passive Income the CRA Won't Tax

Description

Two things in life are certain: death and taxes. In Canada, the Canada Revenue Agency (CRA) is always quick to recognize any taxable income and adds to your tax bill. It is crucial to play your part and pay your taxes. However, that does not mean all of your income should be taxed.

The Tax-Free Savings Account (TFSA) is a powerful tool that you should not take for granted. If you use it wisely, you can use your TFSA to shield your income from taxation by the CRA. In times of crisis like right now, a robust TFSA income stream can have your back.

Turn your TFSA into an income stream

The TFSA's tax-free status makes it an ideal tool to save funds for your retirement. However, that is not the only possible use you can have for the account. You can use it to generate enough passive income that you can withdraw tax-free from the account. Your TFSA withdrawals do not count as part of your taxable income, and there are no early withdrawal charges with this account.

The ideal way to turn your TFSA into an income stream is to use the account to hold a portfolio of income-generating assets like dividend stocks. A portfolio of reliable and resilient dividend stocks can keep generating income through payouts. You can let the cash from dividends accumulate in your account. You can also reinvest the dividends to unlock the power of compounding.

If you are an investor looking to generate tax-free passive income, you can withdraw the dividend payouts for income that the CRA can't tax.

A dividend stock to consider

You need a portfolio of reliable dividend-paying stocks in your TFSA to generate the tax-free and passive income you can use to take care of your expenses. You should not invest in high-yield stocks that do not offer a stable income due to the risks of devaluation or dividend cuts.

Several stocks trading on the **TSX** can provide you with dividend income that you can rely on for years. **Telus Corp.** (TSX:T)(NYSE:TU) is a stock that you can consider for this purpose. The telecom giant is a successful business providing its shareholders with reliable returns through its capital gains and dividends.

The company recently released its earnings for Q3 2020, and it reported a growth in its operating revenue to $3.98 billion on a year over year basis. Additionally, the company announced that it is increasing its payouts from $0.29215 to $0.3112 per share – a 6.8% increase from its previous dividends.

Telus has a solid business model that can continue increasing its revenues. With the rollout of 5G and its expansion into other sectors, Telus can continue generating more revenue. The company's profitability is allowing it to increase its payouts consistently.

While many companies are suffering substantial losses due to COVID-19, Telus can generate a stable income due to the essential nature of its business. Even if the surge of COVID-19 cases leads to another lockdown, Telus is unlikely to face a major decline in earnings.

Foolish takeaway

Creating a portfolio of reliable dividend stocks in your TFSA can help you generate passive income that the CRA cannot tax. It will take some time to accumulate enough of the right shares in your portfolio to earn substantial passive income.

If you are planning on building such a portfolio, Telus could be an ideal pick to begin a dividend income portfolio in your TFSA.

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Author
adamothman