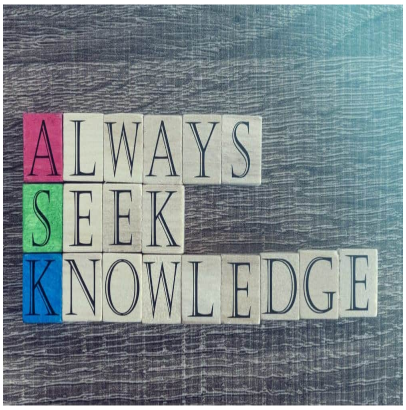

Canada Revenue Agency: How to Earn $1,000/Month in TFSA Income and Pay Zero Taxes to the CRA

Description

You need to pay taxes to the Canada Revenue Agency (CRA) whenever you earn or generate revenue. The CRA is responsible for collecting taxes for the Canadian government. These taxes are then redistributed among the country's residents in the form of healthcare, infrastructure, and many other benefits.

However, there is one account that is immune to taxes from the Canada Revenue Agency. The Tax-Free Savings Account (TFSA) is like an antidote that can keep the tax collector away. You can, in fact, generate thousands of dollars each year inside a TFSA that can't be taxed.

The TFSA is a registered account

The TFSA is a savings and investment account that is growing in popularity. It was introduced back in 2009 and Canadians can use it to hold equities, ETFs, mutual funds, bonds, cash, and GICs.

As any withdrawals in the form of interests, dividends or capital gains are exempt from CRA taxes, the TFSA is an ideal account to hold quality dividend stocks. You can identify a portfolio of blue-chip stocks that can create long-term wealth and experience tax-free savings growth forever.

The only way the Canada Revenue Agency can tax your account is if you over-contribute to the TFSA.

What is the TFSA contribution limit?

The Canada Revenue Agency sets an annual TFSA contribution limit every year. For 2020, the maximum contribution limit is $6,000 and the cumulative contribution room is $69,500. For couples, this contribution room doubles to $139,000.

Any unused contribution room will be carried forward in the next year, increasing your TFSA contribution limit for that year. Further, if you sell a portion of your stocks in your TFSA in a calendar year, you create an additional contribution room for the next year.

We can see that the TFSA is one of the most flexible registered accounts and can help accelerate your financial goals as you can consistently re-invest your tax-free savings.

Enbridge is a top dividend stock

When you look for dividend stocks, it is hard to ignore energy giant **Enbridge** (TSX:ENB)(NYSE:ENB). This stock has a forward yield of 8.53%, which means a $139,000 investment will help you generate close to $12,000 in annual dividends.

Further, long-term investors can also benefit from capital gains making ENB a top bet for income and value investors. Enbridge is one of Canada's largest companies with a market cap of $77 billion and an enterprise value of $150 billion.

Its robust business model allows the company to generate a stable stream of cash flows across economic cycles. While most energy companies are struggling with profitability due to low crude oil prices, Enbridge is almost immune to these fluctuations.

Over 95% of Enbridge's EBITDA is backed by long-term contracts, allowing the company to maintain dividend payouts. While it does not make financial sense to allocate all of your $139,000 TFSA limit in a single stock, you can use this as a starting point for your research and identify similar companies with strong balance sheet trading at an attractive valuation.

Analysts tracking Enbridge stock have a 12-month average target price of $50.6, which is 33% above the current trading price. After accounting for its dividend yield, total returns will be closer to 40%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
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