



## Canada Revenue Agency: Max Out Your TFSA to Avoid Paying Income Taxes

### Description

The Canada Revenue Agency (CRA) collects taxes on our income, administers tax law and policy, and delivers benefit programs. Today, one of the most used benefit programs offered by the CRA is the Canadian Recovery Benefit (CRB).

The CRB provides \$500 per week for up to 26 weeks. That's a great relief program. The problem is, it's taxable, and it has an end date. So, where can we turn for tax-free income today and in our retirement? We can add stocks like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Loblaw Companies** ([TSX:L](#)) to our TFSAs.

### “There are two things in life that are certain: Death and taxes”

This well-known saying is as true today as it was years ago. The only thing is that today, we have a CRA-endorsed way out of certain income taxes. The Tax-Free Savings Account (TFSA) is the way. The TFSA began in 2009, with a \$5,000 limit. Today, the annual limit is \$6,000. Cumulative room for the TFSA is currently \$69,500.

So, while this does not scratch the surface of what our retirement savings would ideally be, it is a great start. Assuming you'd invested this at an average rate of 4%, you would receive \$2,780 of annual tax-free income, or \$230 per month.

### TFSA limit 2021

The TFSA limit for 2021 has not been announced yet, but as I see it, there is only one possibility that makes sense. Raising the limit in 2021 does not seem to be a plausible option. The government of Canada is spending massively to help Canadians through this pandemic. The CRB and other relief programs are tapping the government in ways that we could not imagine just a year ago. This has long-term ramifications the longer it goes on. It is unlikely that the government will increase the TFSA limit in 2021 given what will soon be an increasing need for tax revenue.

Let's explore the other options that the government has with the TFSA limit in 2021. It is an option for the government to reduce the limit. We don't like to think about that possibility, but it is there. I don't believe the government will take this route in 2021, but it may be coming somewhere down the line.

The most likely result is for the 2021 TFSA contribution limit to increase by another \$6,000. In this case, your total annual tax-free income, assuming a 4% return, would rise to \$3,020, or \$250 per month.

## Canada Revenue Agency: Two TFSA stocks to buy today for tax-free income tomorrow

Fortis stock is the first stock I recommend for your TFSA. Fortis is yielding 3.75% today. With a highly regulated and defensive business model, Fortis has generated excellent returns for its shareholders for decades. [This stock can be counted on](#) for safety, dividend growth, and capital gains.

Loblaw stock is another stock that I would buy for my TFSA today. [This stock has momentum on its side](#). It also has strong fundamentals on its side: macro fundamentals and company-specific fundamentals. The dividend yield on Loblaw stock is a solid 2%. The company just reported a better-than-expected Q3 driven by rising revenue and profitability.

Loblaw stock price has registered a 21% five-year return. It is a defensive stock that has strong upside in the next few years. If you believe that the economy will take some time to recover from the coronavirus pandemic crisis, buy Loblaw stock for your TFSA.

## Motley Fool: The bottom line

In closing, I would like to reiterate the importance of a TFSA. This vehicle is provided to us by the Canada Revenue Agency as a way to shelter at least some of our income from taxes. The CRB is a great program by the CRA, but it is taxed, and it is only for a maximum of 26 weeks. TFSA investment income is tax-free, and it has no end date.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:L (Loblaw Companies Limited)

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