



Canada Revenue Agency: Earn \$500/Month TFSA Income the CRA Can't Get

Description

The Canada Revenue Agency (CRA) job is to collect income taxes from Canadians for the government. It's our job to protect our hard-earned money from the CRA.

We can reduce our taxable income by contributing to our registered retirement savings plan (RRSP). However, RRSP/RRIF withdrawals are taxable income.

Thankfully, we can protect our earnings from the CRA by investing in our Tax-Free Savings Account (TFSA). Since TFSA's inception in 2009, Canadians have [saved thousands of dollars in income taxes](#).

How much TFSA room do you have?

As the name implies, savings come first in a TFSA. Making it a habit to save and contribute to your TFSA regularly will make it easier, since you get extra tax-free room every year. For example, you could have contributed \$500 a month to ensure you make the full contribution of \$6,000 this year.

Canadians who were eligible for the TFSA since 2009 and have never contributed to a TFSA will have accumulated \$69,500 of room for investment tax free!

Year	TFSA Contribution Limit for each year
2009-2012	\$5,000
2013-2014	\$5,500
2015	\$10,000
2016-2018	\$5,500
2019-2020	\$6,000
Total	\$69,500

If you only became eligible for the TFSA in 2019, you would have contribution room of only \$12,000.

Just remember that any TFSA amount withdrawn can only be re-contributed to a TFSA in the next calendar year or later. For instance, if you've contributed the full amount every year since inception, but you withdrew \$1,000 in 2019, you would have \$7,000 of contribution room this year.

The best TFSA investments

You can invest in cash, mutual funds, stocks, GICs, and bonds in your TFSA. Since stocks are the asset class that delivers the greatest returns in the long run, you should highly consider buying stocks in your TFSA.

Right now, the interest rate is super low. So, instead of thinking of earning interest income, you can consider earning higher passive income from dividend stocks.

Following **Pfizer** and **BioNTech's** vaccine, **Moderna** announced another promising vaccine that indicated 94.5% efficacy so far in its tests.

There's hope that effective vaccines can be distributed in the first half of 2021, leading to potential herd immunity in the second half of the year. If so, many beaten-down stocks that are impacted by the pandemic are set up to make a huge comeback.

How to earn \$500 a month

Earning \$500 a month in tax-free income will be super helpful in paying off the bills. You'll need to invest \$115,385 on a 5.2%-yield dividend stock to [generate \\$500 a month](#). **H&R REIT (TSX:HR.UN)** offers just that.

The diversified real estate investment trust (REIT) stock is down 37% year to date due to the pandemic. Its office, residential, and industrial properties have been incredibly resilient with rent collections of 96-100% throughout the pandemic. Its retail portfolio, which saw rent collection shrinking to the 70% level in Q2, was what weighed down the stock. However, it has markedly improved to 88% by October as the economy reopened again.

H&R REIT's dividend is safe with a recent Q3 adjusted funds from operations payout ratio of only 49%. This means that as the pandemic becomes history, buyers today can get an even bigger income from a higher cash distribution, as its payout ratio is normally in the 80% range.

At \$13.29 per unit, H&R REIT trades at a 40% discount from its recent net asset value. Investors can therefore get a juicy yield while waiting for double-digit price appreciation.

The Foolish takeaway

Investors should look for quality big dividend stocks that are beaten down by the pandemic. This way, you can get your juicy tax-free income started right away.

H&R REIT is a wonderful buy now. If it trades lower from negative pandemic news, investors should consider buying even more for bigger income! A year or two from now, the stock should provide an

even bigger yield on cost and trade much higher.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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