Canada Revenue Agency: Earn $817/Month TFSA Income the CRA Can't Touch

Description

No matter how you earn money, the Canada Revenue Agency (CRA) will come calling eventually. After all, it's the duty of the CRA to collect taxes. While we see these taxes come back to us through programs, education and the like, it's definitely still nice when you get to keep some of that hard-earned cash in your pocket.

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That's why the Tax-Free Savings Account (TFSA) is so important. As long as you stay within the guidelines, you can safely collect returns that the CRA cannot touch with a 100-foot pole. Even if you earn as much as $750 per month!

The goal

Before you think that this is some trick, well, it kind of is. The goal of the TFSA is to get Canadians investing in Canada. If Canadians invest in Canadian companies, those companies grow. That means a stronger overall economy, and larger companies that have to pay higher taxes to the CRA. So, everybody wins!

Of course, the CRA doesn't want you investing willy nilly, so it created contribution limits. Each year, the CRA adds to the contribution limit by a couple thousand dollars. This year, that limit is $69,500. So, you have that much contribution room to invest in Canadian companies and create returns the CRA can't touch. After all, it's called tax-free for a reason!

The rules

Yet there are ways the TFSA can become a taxable account, and that's if you don't follow the rules. Canadians must invest in Canadian companies, or else returns from other countries can be taxed. On top of that, you must stay within the contribution limit. That can be harder than you think. Say you met the limit and took out money. You now have to wait until next year to meet that limit again! You can't just take out cash then put it back in later that year or you can be taxed.

An easy way to check how much you can contribute is by going to the CRA website and logging in through MyAccount. You can then see exactly how much you can contribute without being penalized. Then, as long as you don't trade *too* often and make an exorbitant amount in returns, the CRA will leave you alone.

Start earning!

Now all you need is the right stock to bring in both returns and dividends! That's how you'll get to that monthly income goal. That's why today I would recommend a stock like **Enbridge** (TSX:ENB)(NYSE:ENB). The company offers an 8.54% dividend yield, and on top of that a share price that could double in the very near future. But there are a few words of warning.

Enbridge is involved in the energy sector, a sector that's been trailing downwards for the last few years. So, it's not going to suddenly bounce back over night, especially with a poor economic outlook due to the coronavirus. On top of that, government and investor funds are likely to move more towards green initiatives in the future, of which Enbridge is not involved at this moment.

However, the company will bounce back, if only for the next two decades or so. That's because it has long-term contracts to keep it going for decades, and growth projects to get oil and gas back online. So, you could easily see your shares double, even in the next two years if things get moving again.

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Bottom line

To get to your $817 monthly goal, you would need to make $9,807 annually. If shares increase to fair value in the next year, that would be an increase of 57% in share price. So, that means you would only need to invest about $15,000 in your TFSA to see that money come out! In a year that could be worth $23,550 — an $8,550 increase. With dividends included, that's a grand total of $9,807.12! All tax free.

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