



Canada Revenue Agency: Earn \$500 Per Month in TFSA Tax-Free Income

Description

The TFSA is offered by Canada Revenue Agency. It has come a long way over the years, with an increasingly greater tax benefit. How would you like to earn \$500 a month in tax-free TFSA income?

Anyone who is not taking advantage of this gift from the CRA should start now. The cumulative amount that we can contribute to the TFSA is now \$69,500. But any bit that we can afford is good enough. We can start small and build it. The point is to start investing in a TFSA now to get access to tax-free income that the CRA can't touch.

Why the TFSA is your best bet to maximize your tax-free income

The Canada Revenue Agency first introduced us to the TFSA in 2009. It may seem like just yesterday for some of us (like me!), but in fact, this was actually 11 years ago. That's 11 years of tax savings. That's consecutive years of progressively more in tax savings for those of us who are able and willing to maximize our TFSA investment.

So, what does this look like? Well, let's take a really simplified example to get a sense of the tax savings. Let's assume that I maxed out my TFSA savings from year one, and my investments yielded an average 4% return. Now, let's assume that my average tax bracket for my investment income is 20%. In this case, you would have saved \$3,500 in taxes with your TFSA. This is meaningful, because this compounds as you re-invest the savings. This is but one example of the type of savings we can expect. You can repeat this exercise with your own assumptions and see the potential. The bottom line is that we have to take advantage of this gift from the CRA. It's all part of a well-thought-out investment plan.

Enbridge stock in your TFSA = \$500/month of income the CRA can't touch

A lot has been written about **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock. The dividend yield stands at

8.51% today. This makes investors equally excited and nervous. Doesn't such a [high dividend yield](#) only happen when a company is in trouble?

Well, sometimes, but not always. And that enables us to shield more of our income from the CRA. The fact is that Enbridge's stock price has been hit by many things. Its ability to generate cash flows and cover its dividend is not one of those things. In fact, Enbridge's performance in these difficult times is a good example. In the first nine months of this year, Enbridge has pumped out more than \$7 billion in cash flow. While cash from operations was not enough to cover capital expenditures and dividend payments, Enbridge has [strong liquidity](#). And an accelerating earnings and cash flow profile over the next two years will bridge the gap.

Motley Fool: The bottom line

The bottom line is pretty simple. We should all be using our TFSAs to the largest extent possible. Investing as much as you can into this tax-saving CRA gift makes good sense (and dollars). Choose the highest-yielding investments for your TFSA to get the biggest tax benefit. 8.5%-yielding Enbridge stock is the perfect start.

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1. Dividend Stocks
2. Energy Stocks
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2. TSX:ENB (Enbridge Inc.)

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Date

2025/09/10

Date Created

2020/11/21

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