Canada Revenue Agency Can't Tax This $100/Week TFSA Income Stream

Description

You can protect your passive income stream from Canada Revenue Agency taxes by making good use of your Tax-Free Savings Account (TFSA). Once the clock strikes midnight on the New Year (good riddance 2020), you should get ready to contribute another $6,000 annual contribution if you're able.

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Many Canadians who've been keeping up with their annual TFSA contributions will see their TFSAs swell past the $100,000 milestone next year. With such a swollen TFSA, one can earn $100 per week on their $100,000 principal with dividend (or distribution) stocks that sport yields just north of the 5% mark.

Now that the yield bar has been raised on many high-payout securities, the "5% rule," I believe, has become the new "4% rule." By averaging a 5% yield with your TFSA portfolio, you won't need to reach too far for yield. That means you won't have to risk your shirt betting on battered plays that are at higher risk of dividend (or distributions) cuts amid the COVID-19 crisis. That means no reaching for falling knives within the hardest-hit sectors of the economy that have imploded in recent months.

What's a great place to get a relatively sustainable 5% yield without compromising too much on the growth front?

Enter the Canadian telecoms that are already in the process of recovering from the vicious February-March sell-off. **Telus** (TSX:T)(NYSE:TU) and its 5.1%-yielding dividend looks to offer a terrific risk/reward for investors, as the world inches closer to normalcy.

Telus has held its own remarkably well amid the crisis. Amid the surging second wave, the Canadian telecom titan looks like a steady ship relative to its Big Three peers in the space, including the likes of its bigger brother **BCE**.

For the third quarter, Telus continued adding customers and demonstrated tremendous resilience in the face of pandemic-induced pressures on the top line. Revenues increased 8% on a year-over-year basis to just shy of $4 billion. The cherry on top of the sundae that was the third quarter was the wireless segment which managed to steer clear of the excessive declines suffered by its Big Three peers.

How has Telus been able to hold its own so well amid the crisis?

It's not just the lack of a media division, the high quality of the firm's wireless network, or the firm's reputation for having best-in-class customer service. Telus's management team has done an incredible job with its churn-minimization initiatives. Such efforts will pay huge dividends over the long run, as competition picks up in the Canadian telecom scene, specifically in the west coast, as it battles **Shaw Communications** for subscribers.

Telus has been ramping up its promos in recent years (free 4K televisions with select two-year plans) to win over new subscribers. At the same time, the company has been trying to build a wall around its existing subscribers, with its Telus Rewards loyalty program.

Foolish takeaway

While Shaw is moving in on Telus's turf with an encouraging value proposition, Telus has demonstrated that it's more than capable of holding onto its subscribers, even during this crisis. Telus gets top marks for its relative performance through this pandemic and I think it's a buy for its juicy, growing dividend, regardless of when you think this pandemic will end.

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So, if you hate Canada Revenue Agency taxes, stash Telus in your TFSA for [tax-free income poised to grow over the long run].

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