CRA: Here’s the Best Way to Earn Tax-Free Income

Description

Money is something that drives almost everyone. Despite the age-old adage that money doesn’t buy happiness, it’s the number one incentive that drives hard work and productivity in our economy. Because money is so crucial in our society, so too is the way you can earn that income and declare it to the CRA, whether that’s passively or actively through a job.

Since everyone wants money, but most people would prefer not to work for it, passive income is attractive.

Passive income becomes even more attractive, when you can find tax-free ways of earning it. This way, you are keeping all that money you earn for yourself and can avoid paying it to the CRA.

So, with that in mind, here is the best way you can earn tax-free income.

CRA: You can earn tax-free income in your TFSA

The TFSA is set up to give Canadians a head start when it comes to saving. It also allows Canadians to invest their money and keep all the proceeds of those investments without having to pay any tax to the CRA.

That means if you buy stocks and they skyrocket, and then you go to sell, you get to keep all that profit to yourself. That’s not the case if you invest outside a registered account like the TFSA.

So, because the TFSA is so key, we want to maximize its potential. However, what’s an even better way to earn money than by buying and selling stocks? The answer is passive income.

Canadians can focus on buying high-quality, dividend-paying stocks to earn passive income. Plus, if you make sure to do that in your TFSA, then it will be tax free.

Essentially, all you need to do is start saving your money and do some investment research.

You'll want to find a top-notch business with resilient operations. This way, you can count on the company to continue to pay out its profits to shareholders.

Once you've done this, you can start to make your investments and watch the passive income roll into your account, knowing you don't owe any of that cash to the CRA.

The perfect stock for your TFSA

One stock to consider buying today that would be ideal for your portfolio is **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Shaw is an ideal stock to own in your TFSA and save on the tax to the CRA for several reasons. First and foremost, it's a telecom company — an industry that is extremely defensive. This is important, because you can buy Shaw as a long-term investment and have peace of mind knowing that you can count on the company to continue operating through thick and thin.

Shaw has always had this quality, but it's never been quite so important as it has this year through the coronavirus pandemic. So far in 2020, its sales are actually up year over year, showing just how little the business has been affected.

In addition to its defensive attributes, Shaw also has a tonne of growth potential going for it. The company is already working hard to grow out its wireless segment, and long-term 5G technology will give Shaw a massive runway for growth.

Investors will witness the inevitable growth through both a big increase in shareholder value as well as an eventual increase in its stable monthly dividend. That dividend yields 5.2% today, which is pretty attractive considering all the other important qualities you get with an investment in Shaw.

Shaw is a perfect example of a stock to own in your TFSA. That way you can earn both dividend income and capital gains income, and you won't have to pay tax on any of it to the CRA.

Bottom line

Taxes are something that, in addition to being a pain to have to pay, also play a big role in your long-term investment performance. That's why it's crucial you do what you can to limit what you pay to the CRA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

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