



Earn TFSA Income the CRA Can't Tax With This 1 Secure Stock

Description

TFSA's can be a powerful investment tool. The TFSA funds in the right stocks can be instrumental in fulfilling your short-term and long-term goals. And since it's tax-free, you can start a comprehensive passive income with the stocks in your TFSA. If you can invest a hefty amount, a generously yielding dividend stock might be the right pick for you.

If you want to grow your limited capital faster, you may need to look into some growth stocks. They come with their fair share of risk, but they can also help you fulfill your short-term capital without too much capital invested.

The conservative approach is to combine both for secure long-term growth. Secure growth requires a secure stock, and [one worthy candidate](#) is the **National Bank of Canada** ([TSX:NA](#)).

A secure stock

Canadian banks are secure. They have proven their mettle time and time again, and thanks to some conservative policies guiding them, Canada's largest financial institutions are almost rock solid. And though the National Bank isn't officially in the "Big Five" club, the term is frequently modified to the "Big Six" just to account for this powerful bank stock.

It has been a dividend aristocrat for a decade and is currently offering a juicy enough yield of 4%. If you can wait for a market crash to buy, you may be able to lock in a much better yield. The bank has a pretty decent footprint (primarily in Canada) with 495 branches, and the bank serves about 2.7 million clients. It benefits from the strength of Canadian banking like the Big Five, but its growth outpaces them.

TFSA income

There are three different ways you can start a TFSA income with National Bank: dividends, selling shares, or a combination of both. If you had invested \$10,000 in the bank 10 years ago, you'd now

have 518 shares (with dividends reinvested), and they would be worth about \$36,500. With 518 shares of the National assembly, you can earn about \$370 every quarter in dividends.

If that's not enough passive income to [meet your needs](#), you may need to sell some stocks. But the more you sell, the smaller your dividends will become. It might not seem much, and the growth is not as impressive as some other stocks available on the TSX, but that's the deal you have to take if the security of capital and your TFSA income is your primary objective.

National Bank of Canada has a 10-year CAGR (dividend-adjusted) of 12.65%. It's powerful enough, but you have to augment it with time. The more time you can give the National Bank stock to grow inside your TFSA (with dividends reinvested), the more potent your TFSA income will be from this bank.

Foolish takeaway

Starting a passive income isn't the only good thing you can do with your TFSA. You can use it to grow your nest eggs and save for short-term goals like a new car or a vacation. Since that income would be tax-free, you wouldn't have to pay for your exuberance with a fatter tax bill. And when your dividends stocks have grown enough (in the number of shares and the payout amount), you can comfortably start a passive income.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. TSX:NA (National Bank of Canada)

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Date

2025/08/23

Date Created

2020/12/02

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