



Canada Revenue Agency: 2 Key Ways to Save on Taxes

Description

Investing for retirement is one of the most important undertakings you'll have in life. Almost everyone will need to save and invest their money over their career to make sure they have enough to live through retirement. However, whenever you are investing, you can be sure the Canada Revenue Agency will be there to collect the taxes.

Taxes are important for the function of society, but on a personal basis, they can be a source of dread. Furthermore, the impact taxes can have on your investments and the ability to compound your money will be huge if you aren't careful.

That's why investing requires careful attention and planning. You aren't just planning to build a portfolio around your risk tolerance and when you will need the money for retirement. You should also be planning your taxes to figure out how you'll minimize what you owe each year to the Canada Revenue Agency.

If you need to sit down with a professional to plan your taxes, you should consider doing so. While it may take some time and cost you some money today, high-quality advice on [tax planning](#) can be priceless when you consider all the taxes you'll save over the years.

Whether or not you decide to see a specialist to plan your finances is one thing, but regardless you should understand the basics. Here are two of the most important investing accounts to help you not only save tax but retire richer.

Canada Revenue Agency: You can defer taxes with the RRSP

The RRSP is one of the most important investing accounts for two main reasons. First, you can use it to reduce your tax bill in a given year by earning a tax credit when you contribute money. Then you can take that deduction and invest your money, growing it tax-free.

It isn't until you withdraw from the RRSP that you're taxed on it. So contributing to an RRSP is a great way to save on the taxes you owe while at the same time putting money away for retirement that you

can begin to invest.

It's also worth noting for young investors that the CRA will allow you to withdraw money from your RRSP one time to either buy a home or go back to school. The only caveat being that you have to repay the money within 15 years of withdrawing it from the account.

Save taxes with the TFSA

Another way you can save on taxes is by investing in the TFSA. The TFSA is similar to the RRSP in some ways, but there are some significant differences.

You won't get a tax credit for contributing to your TFSA, but you can invest in **TSX** stocks tax-free, just the same as an RRSP. Another difference is that the Canada Revenue Agency allows you to withdraw money from your TFSA anytime without any penalties or tax. That's different from the RRSP, where you have to pay income on all the money you withdraw.

Regardless whether you're saving on tax while you're investing and compounding your money, it will make a big difference, especially if you own top **TSX** stocks like **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)).

Shopify has taken the world by storm single-handedly, helping to grow the e-commerce trend by empowering small and medium-sized businesses to grow their operations considerably. It's especially been a lifesaver to several [merchants](#) throughout the pandemic that otherwise would have no way to operate during shutdowns.

Plus, its business and revenue model ensures that it will continue to see strong recurring revenue, which is helping to grow the business rapidly. Because of this success, investors in Shopify have seen a more than 3,750% total return in just the last five years.

That's an incredible return — and one you surely will want to own in your TFSA. That way you can save on paying the Canada Revenue Agency what would otherwise add up to massive capital gains taxes.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:SHOP (Shopify Inc.)

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