Canada Revenue Agency: How to Boost Your Tax-Free Income

Description

If you asked most people, earning more money is at the top of their priorities. But one thing that's even better than increasing your income is earning all that money tax-free. The Canada Revenue Agency already takes a significant amount of your hard-earned money, so there's nothing wrong with doing what you can to increase your income while minimizing the taxes you pay.

One of the easiest ways that anyone can start to do this is through investing. Investing is a great way to grow and compound your money; plus, you can start anytime.

You can't just invest in any account, though. You have to invest in a registered account like a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP).

Canada Revenue Agency: Invest in registered accounts

The TFSA is the preferred choice for many Canadians. However, for tax reasons, sometimes it's more efficient to use the RRSP. A lot of Canadians will use both.

The number one benefit that the Canada Revenue Agency allows Canadians to use the TFSA for is that you can withdraw and deposit money as much as you want (with some slight restrictions) and never have to worry about paying any tax on the income generated in that account. That means you can earn interest, dividends, and capital gains, all without paying any tax on any of that income.

The RRSP's number one benefit is that you can defer taxes in a given year. Therefore, by using both of these in conjunction, you can earn extra income in your TFSA as well as your RRSP. Plus, at the same time, you can reduce your tax payable to the Canada Revenue Agency through the tax credits earned on your RRSP contribution.

That's why it's so attractive. Canadians can save on taxes and grow their income at the same time. If you were looking to grow your money this is the way and keep all your profits from the Canada Revenue Agency; here is a top stock to consider.

TSX telecom stock

If you're looking for an ideal stock that you can buy for the long term, telecoms are some of the best to start with. Any of the major telecom stocks will be great core portfolio stocks, but my personal favourite is **BCE** (TSX:BCE)(NYSE:BCE).

BCE is the largest telecom stock on the **TSX** with impressively diverse business operations across Canada. Its major segments, media, wireless, and wireline, all work in conjunction to use the natural synergies that both reduce costs and grow revenue.

BCE's business is also highly defensive. Despite a significant impact on its media business and natural decline in mobile revenue as people stay home more often, it's still earning significant cash flow. That's why it's such an incredible investment over the long term.

Investors of BCE have seen a total return of more than 170% over the last decade, including through the pandemic. That's a more than 10.5% compounded annual growth rate that BCE is contributing to investors' portfolios. And all of that income can be kept from the Canada Revenue Agency tax-free if you buy BCE in a TFSA.

Plus, there will be significant growth potential over the coming years with the introduction of 5G. So, with the stock still trading at a significant discount, and the end of the coronavirus pandemic now on the horizon, BCE is an ideal stock for long-term investors today. Its dividend even yields an attractive 5.8%.

Bottom line

There are numerous ways to boost your income, but if you want to do it in a way that you can help you avoid paying taxes to the Canada Revenue Agency, then it's time to start investing in a TFSA today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

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Date
2025/07/06
Date Created
2020/12/07
Author
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