



## Canada Revenue Agency: How Retirees Can Reduce Their Tax Bills

### Description

When it's finally time to retire, Canadians want to know that there are benefits for them to fall back on. However, there are several retirement benefits you'll receive that you also have to pay tax on to the Canada Revenue Agency.

For example, the Canada Revenue Agency considers your CPP and OAS payments to be taxable income. This means you'll have to pay tax on this money just as any other income.

You can, of course, offset some of these benefits through other tax deductions, although you should be prepared to pay some taxes. There are, however, other ways that will allow you to reduce the taxes you owe.

You may not be able to stop the Canada Revenue Agency from taking some tax, but doing what you can to reduce as much of your tax bill as possible is crucial. It keeps more money in your pocket to either spend in retirement or continue to invest to realize the compounding effect.

Here are some key steps you'll want to take.

## Canada Revenue Agency: Invest what you can in a TFSA

The TFSA is one of the best tools that Canadians have. Not only does the account allow you a tonne of flexibility with withdrawals and deposits, but it also allows you to earn interest, dividends, and capital gains, all without paying any tax.

Furthermore, unlike the RRSP, when you withdraw from the account, you're not charged any tax. When you withdraw from the RRSP, it's treated as regular income, which is why it's key to use your [TFSA](#) as much as possible.

You may have savings for retirement, but if you have to withdraw those savings from your RRSP, then you'll owe taxes to the Canada Revenue Agency on that income. Furthermore, that money you withdraw counts toward your total income, which can affect OAS clawbacks.

It's not just enough to invest in your TFSA alone. You also need to make sure you're investing in high-quality stocks, too. The quality of the stock is of the utmost importance, because it needs to preserve your wealth in addition to compounding it.

## The perfect stock for your TFSA

That's why resilient dividend-growth stocks are some of the best investments you can make ahead of retirement. These stocks have less volatility, have more resilient business operations, and will pay you a continuously growing passive-income stream.

And if you buy these stocks in your TFSA, it'll helping you to avoid paying taxes to the Canada Revenue Agency not only on this income you're earning, but on other benefits you may receive.

There are several high-quality dividend growth stocks on the **TSX** to buy today. However, one of the best is **BCE** ([TSX:BCE](#))([NYSE:BCE](#)).

[BCE](#) is one of the top high-quality stocks to buy today, because it offers long-term investors great value. This makes it an ideal stock for your TFSA, so you can save on all that tax over the year, rather than paying it to the Canada Revenue Agency.

In a year of crazy uncertainty, where plenty of stocks are at all-time highs, BCE, a proven and reliable business, offers investors incredible value.

These days, telecommunications companies are crucial to our economy, making these businesses great long-term investments. Plus, because BCE is so large and well integrated, it naturally scales its business and reduces costs as each segment grows.

In addition to the natural growth it has, BCE also presents an incredible opportunity with the introduction of 5G technology. Not to mention, the company is a Dividend Aristocrat, increasing its dividend payout to investors each year.

So, with BCE trading more than 15% off its 52-week high and offering investors a dividend yield of 6.1%, it's the perfect stock to buy for your TFSA today.

## Bottom line

There are a lot of important factors when it comes to investing for retirement. Of course, one of the biggest considerations are the taxes you'll owe to the Canada Revenue Agency.

However, the most important aspect will be the stocks you choose for the long term. So, it's crucial you make sure you invest in only the best of the best.

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