2 Ways to Save on Taxes and Grow Your Income

Description

These days, if you want to improve your living situation, it’s as much about what you do with your personal finances as it is what you do with your job and career. It’s natural to always look for the next promotion or a better job to grow your income.

However, there are other creative ways outside of work, such as saving on taxes, that can help you maximize your disposable income.

Having a job and career is, of course, crucial. However, it can take years sometimes to earn a promotion or find a new, better-paying job.

In the meantime, if you optimize your personal finances, take advantage of tax credits and invest your savings, you can begin to build a nest egg of wealth. And when that wealth begins to compound, you will soon find it can grow much faster than the income from your career.

Invest in the TFSA to grow your income

One of the best ways to optimize your personal finances and grow your income is to take advantage of the Tax-Free Savings Account (TFSA).

The TFSA is one of the best tools available for investors with several significant advantages. You can use the TFSA to invest your savings without having to pay tax on any capital gains, dividends, or interest.

And it’s not some measly amount either. If you’ve been eligible since the first year the TFSA was introduced, you have over $75,000 of contribution room available to you, since unused room carries over. This gives investors a significant amount of capital to invest and grow their income.

In addition, the TFSA offers investors a tonne of flexibility, allowing you to withdraw cash anytime. That money can always be reinvested too. You just have to wait until the next calendar year to recontribute.

Use the RRSP to reduce your taxes

Another great option for Canadians is the Registered Retirement Savings Plan (RRSP).

The RRSP has many of the same advantages as the TFSA when it comes to growing your income tax-free. Another massive advantage, which can go a long way for investors is the tax credit you receive for contributing to the RRSP. This helps reduce your taxes payable in the current year.

However, with that advantage comes a drawback. The RRSP isn't as flexible as the TFSA. Furthermore, the money is treated as income and taxed upon withdrawal. This makes it crucial to plan your finances ahead of time and figure out which account works best for you.

But if you are saving for retirement anyway as well as looking to reduce your tax bill in the current year at the same time, the RRSP is a great option for Canadians.

Invest in high-quality stocks to grow your income

No matter which account you choose, the most important thing to growing your income is picking high-quality stocks to invest in. You, of course, want to maximize your returns to take advantage of the considerable taxes you can save.

However, you don't want to take too much risk, because if you lose money on your investments, you're losing all that contribution room with it.

One of the best long-term stocks you can buy today is a company like **Alimentation Couche-Tard** (TSX:ATD.B).

Couche-Tard is a great choice for several reasons. It has a long history of strong execution and performance. It has proven time and time again to make great, value-accretive acquisitions. And, most importantly, it operates in an industry that's generally defensive.

Furthermore, the company is well capitalized and has already taken advantage of some attractive acquisitions in this business environment. This makes Couche-Tard the perfect stock to buy today to start growing your income.

Bottom line

Investing your money is one of the best ways to help supplement and grow your income. Investors have many tools at their disposal, such as the registered, tax-free accounts.

Therefore, as long as you invest for the long term and choose high-quality stocks like Couche-Tard to build your portfolio, all that's left is to sit back and watch your investments compound and your income grow.

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danieldacosta