2 Ways to Earn Passive Income the CRA Won't Come After

Description

The Canada Revenue Agency (CRA) provided several benefits for Canadians affected by the pandemic. The government also tasked the agency with providing income support through programs like the Canada Emergency Response Benefit (CERB) and Canada Recovery Benefit (CRB) to Canadians who lost income due to the pandemic.

These benefits continue to help millions of Canadians affected by the lockdowns, but recipients will have to face taxes on these benefits when the tax season arrives. There are ways you can earn passive income that the CRA cannot come after.

Use your TFSA

The Tax-Free Savings Account (TFSA) has it right there in its name. There is nothing better when it comes to generating tax-free passive income than a TFSA. Investing in a stock like **Canadian Utilities** (TSX:CU) and storing it in your TFSA can allow you to earn tax-free passive income in your account that keeps growing.

Canadian Utilities is a Dividend Aristocrat that keeps increasing its payouts to shareholders each year. It is one of Canada's largest utility companies, and it has a 48-year dividend-growth streak. CU has a low-risk business model that provides it with reliable, predictable, and safe cash flows that the company can use to finance its growing dividends.

Most of its revenue comes through regulated and long-term contractual agreements. Since it provides only essential services, CU can be a recession-resistant stock that you can rely on.

Invest in real estate

Another way you can generate passive income that the CRA cannot tax is by investing in real estate through real estate investment trusts (REITs). It is a safer way to invest in real estate assets without having to buy a property or dealing with all the hassles. REITs like **Northwest Healthcare Properties REIT**

(TSX:NWH.UN) trade on the TSX like stocks.

Buying shares of the REIT and storing it in your TFSA can let you earn income from the REIT without the hassles of being an active landlord. Residential REITs might not be an ideal segment to consider with the housing market on the verge of collapse. Northwest is a defensive REIT in these circumstances because its tenants are primarily healthcare providers in Canada and Europe.

Northwest's real estate portfolio can generate strong cash flows regardless of economic situations. Its rent-collection rate and occupancy levels remain high, because more than 80% of its tenants enjoy government funding. Additionally, most of Northwest's clients are inflation-indexed and have lengthy contracts of an average of 15 years.

Northwest's resilient business model is boosted through geographic expansions and accretive acquisitions. It can significantly grow your account balance through reliable dividend payouts in your TFSA.

Foolish takeaway

Both the methods to earn passive income that the CRA cannot tax involve using your TFSA. Make sure you keep track of the available TFSA contribution room. With the 2021 update, Canadian TFSA users have $6,000 additional contribution room.

If you want to create a passive-income portfolio, you can consider allocating some of the contribution room to income-generating assets like Canadian Utilities and Northwest Healthcare Properties.

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1. TSX:CU (Canadian Utilities Limited)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/08/24
Date Created
2021/01/26
Author
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