



CRA: 3 Tax Tips Can Save Seniors \$3,400 on Their 2020 Federal Tax Bill

Description

Many Canadians are working past 65 years of age, as rising inflation and huge debt makes pensions insufficient. Moreover, there are jobs that need less physical labour, allowing people to work past 65. But as you age, your medical and other expenses increase. The Canada Revenue Agency (CRA) understands this and offers many benefits to seniors. Three tax tips can save you more than \$3,400 in your federal tax bill.

Canada follows a progressive taxation system, under which higher-income earners pay more taxes. See where you fit in.

The CRA's basic personal amount tax credit

The CRA states that every individual needs a minimum amount to pay for essentials. It calculates a [basic personal amount](#) (BPA) every year after adjusting for inflation and does not levy a tax on this amount. Any individual above 19 years of age who files income tax returns can reduce their tax bill by BPA tax credit.

For the 2020 tax year, the CRA set the BPA at \$13,229, on which you can deduct 15% federal tax, which comes to \$1,984. You can claim this entire amount if your 2020 net income is \$150,473 or less. Beyond that, your BPA amount reduces. You can claim a \$1,845 BPA tax credit if your net income is above \$214,368.

Every province has its personal amount on which it exempts provincial tax. For instance, Ontario has a personal amount of \$10,783, which allows you to reduce your provincial tax bill by \$544.5.

The CRA's age amount tax credit

The CRA adds another tax credit called "age amount" after you turn 65. All you have to do is keep your date of birth updated in My CRA Account. All other rules and are similar to BPA.

For the 2020 tax year, the CRA set the age amount at \$7,637, on which you can reduce your federal tax bill by \$1,146. You can claim this entire amount if your 2020 net income is \$38,508 or less. Beyond that, your age amount reduces by 15% of the surplus income and ends at \$89,421, which means you cannot claim this tax credit.

Similarly, every province has an age amount. Ontario's age amount is \$5,265 on a net income of \$39,193 or less. You can claim a \$266 tax credit.

The CRA's pension income amount tax credit

If you have started collecting any self-funded pension income, you can also claim a pension income tax credit of \$300 on \$2,000 pension income. Ontario's pension income amount is \$1,491, giving a tax credit of \$75.

How to earn from tax savings

The above three tax breaks can reduce your 2020 federal tax bill by \$3,430, and if you are an Ontario resident, it can reduce your provincial tax bill by \$886. Total tax savings of \$4,300 can earn you some good tax-free returns. Invest your tax savings in some dividend and growth stocks through your Tax-Free Savings Account (TFSA).

At the age of 65, you'll want to invest in a stock that doesn't need constant monitoring and gives you stable earnings. **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) meets these requirements. It is an energy infrastructure company that's well known for its incremental dividends for the [last 20 years](#). It increased the dividend even during the 2009 Financial Crisis and the 2014 oil crisis. A stock like this can come as a saviour during a pandemic-like crisis.

In the last 10 years, TC Energy has increased its dividend per share at a compounded annual growth rate (CAGR) of 6.8%. If you earned a \$1,000 annual dividend income from TC Energy in 2010, your income rose to more than \$1,900 by 2020. This will take care of the rising inflation.

TC Energy will continue growing its dividends by building more natural gas pipelines and power plants and increasing its tariffs. The pandemic negatively impacted energy stocks, which has inflated their dividend yields.

Investor corner

TC Energy has a dividend yield of 5.84%, which means your \$4,300 tax savings can earn you \$250 in annual dividends. When the economy recovers, TC Energy stock will also return to its pre-pandemic level of \$70, representing 26% upside. Your \$4,300 will become \$5,400 in two years.

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2. Energy Stocks
3. Investing

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2. TSX:TRP (TC Energy Corporation)

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Date

2025/09/10

Date Created

2021/01/27

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