



TFSA Pension: Turn \$70,000 Into \$1 Million Without Paying a Penny in Taxes to the CRA

Description

Wouldn't it be a sheer joy to [create a \\$1 million pension](#) in a Tax-Free Savings Account (TFSA) and not pay a penny to the Canada Revenue Agency (CRA)? The goal is like responding to the challenge to climb Mt. Everest. Your struggle to reach the top could be extreme. But if you have the resolve, nothing is impossible.

The journey to \$1 million is demanding and requires a lot of financial discipline. Thanks to the TFSA, Canadians can achieve their long-term financial goals. If you haven't opened a TFSA yet but are eligible, your available contribution is \$75,500. The room has accumulated by that much since the TFSA's introduction in 2009.

TFSA basics

For Canadians with no savings plan at the moment or for future years, a TFSA is the investment account to start one. An account holder can set money aside to invest in eligible assets such as bonds, ETFs, GICs, mutual funds, and stocks. Cash is good, too, except that it's a mistake to make it your primary investment.

Once you get the ball rolling, watch your savings grow tax-free. The money growth should be 100% tax-exempt throughout your lifetime. The CRA will not treat all interest, dividends, and capital gains earned in a TFSA as taxable income. Hence, the tax burden is not yours to carry.

You can withdraw any amount at any time without fear of a penalty tax. The only time [the CRA will intervene](#) is when you overcontribute, carry on a stock-trading business, and invest in foreign assets. Don't break any of the rules to avoid the ire of the tax agency.

When you retire, the TFSA is an excellent tax savings tool. Every tax season, you will encounter the 15% Old Age Security (OAS) clawback. You can offset or minimize the tax bite by moving your assets to your TFSA so as not to trigger the OAS clawback. Also, deposit your surplus registered retirement

income fund (RRIF) to boost your retirement income further.

The trek to \$1 million

Having a financial goal is better than having none. It will motivate you to save and invest. You might not achieve the target, but it could bring you closer to a substantial retirement fund.

Your key to success is to partner with a company that can deliver uninterrupted cash flow streams to your TFSA. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is among the logical choices. Canada's third-largest bank (\$83.95 billion market capitalization) pays a lucrative 5.24% dividend.

Assuming your available TFSA contribution room is the maximum of \$75,500, the annual tax-free income is \$3,956.20. If won't tax the earning and keep reinvesting the dividends every year, your money will compound to \$270,687.34 in 25 years. Based on this income potential, you would need to own at least \$278,920 of BNS shares to meet your target within the cited investment horizon.

BNS is perfect for the TFSA, because it's a blue-chip stock paying dividends since 1832. The bank successfully achieves steady dividend growth through the years and keeps the payout ratio in check (less than 70%).

Start your journey

Building a \$1 million TFSA pension from a \$70,000 base is intimidating. However, financial discipline and a wealth-building partner should bring you a step closer to your destination.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/07/01

Date Created

2021/02/06

Author

cliew

default watermark

default watermark