



Earn TFSA Income The CRA Can't Tax With This 1 Dividend Stock

Description

The Tax-Free Savings Account (TFSA) can be a powerful investment tool if you know how to use it properly. Allocating funds to the right stocks in your TFSA can be crucial in helping you achieve your short- and long-term financial goals. Since the account comes with tax-free status, you can gradually use your TFSA to generate substantial [tax-free and passive income](#).

If you are looking to grow your limited capital, you should consider looking into reliable income-generating assets to provide you with growing income. I will discuss how to avoid making a critical mistake with your TFSA and recommend a stock that you can use as the foundation for your TFSA dividend income portfolio.

Understand your limit

The TFSA comes with tax-free status, and you can withdraw from your account at any time. However, the account comes with a contribution limit that you cannot exceed. Since launching the TFSA, the Canada Revenue Agency (CRA) has increased the contribution limit indexed to inflation each year.

With the latest update, the cumulative contribution room is \$75,500. If you have been eligible to invest in a TFSA since the introduction of the account, you might have \$75,500 of total contribution room available. For investors who turned 18 a few years after the account was introduced, the available contribution room may be lower.

If you are unsure about your contribution limit, you should contact the CRA and find out. Ensuring that you [do not exceed your contribution limit](#) is crucial. Otherwise, the CRA will tax you 1% for every dollar over your contribution limit each month. As long as you remain within your limit, you can generate tax-free passive income for a long time.

Fortify your TFSA

Fortis Inc. ([TSX:FTS](#)) is an ideal stock to begin building a TFSA dividend income portfolio. The stock

is a defensive asset that can limit your exposure to volatile markets. Utility sector stocks like Fortis can generate revenue regardless of the economic conditions because it is an essential service for every industry and individual.

Fortis has been growing through acquisitions for several years, and it continues to generate increasing revenues. Its predictable cash flow also means that it can continue financing its growing dividends. Fortis has a 49-year dividend growth streak, and it is just one year shy of becoming a Canadian Dividend King.

The company continues to expect to increase its dividend payouts, and it plans to raise its rate base to generate even more robust income in the coming years.

Foolish takeaway

Buying and holding on to Fortis shares in your TFSA means that you can leverage its growing dividend income that will line your account balance for years. You can even consider reinvesting its dividends to unlock the power of compounding and accelerate your wealth growth. Since earnings inside your TFSA won't affect your contribution room, you can expect to generate substantial wealth in the long run with Fortis as a strong foundation in your TFSA.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/27

Date Created

2021/02/18
Author
adamothonman

default watermark

default watermark