



Canada Revenue Agency: How to Earn Money Tax-Free

Description

The Canada Revenue Agency (CRA) is a government organization that many Canadians likely don't enjoy dealing with.

Right now, we are in the midst of tax season, so most Canadians will have been filing their taxes recently. Taxes are no fun to pay or even file. However, they're an unavoidable financial obligation. Furthermore, they're crucial for society.

However, it is technically possible that Canadians can earn income and pay very little or even no taxes whatsoever, and it's all thanks to the Tax-Free Savings Account (TFSA).

Canada Revenue Agency: Use the TFSA to your advantage

The Canada Revenue Agency first created the TFSA 12 years ago now, and it's still one of the most beneficial investment tools available to Canadians.

It's so beneficial for several reasons, starting with the flexibility it gives you. Plus, it's not some measly amount you get to invest either. If you've been eligible since year one, you'll have about \$75,500 of contribution room. And every single year, you get to contribute even more of your savings.

The fact that whatever you withdraw is completely tax-free is what truly sets the TFSA apart. Plus, whether it be dividend, interest or capital gains, all the investment gains in the account are tax-free. This is why it's so powerful and how it gives Canadians the potential to earn a tonne of money while paying zero in taxes.

So, it's entirely possible that Canadians who focus on maxing out and growing their TFSA can soon earn enough income in the account to live off of without paying any taxes to the Canada Revenue Agency.

Suppose you take the full \$75,500 this year, continue to contribute \$6,000 a year in savings, and grow your money at a compounded annual growth rate (CAGR) of 10%. 20 years from now, your TFSA

would have a total value just shy of \$900,000.

With a \$900,000 portfolio, if investors could earn an average yield on their investments of just 6%, your TFSA will have the potential to earn you \$54,000 in passive income.

At this point, you can continue to reinvest that cash and focus on compounding your TFSA even faster. However, you could also begin to withdraw that cash. And since none of the money will be owed to the Canada Revenue Agency, it's essentially completely tax-free income.

A top stock to grow your TFSA today

In the above example, investors need to earn a 10% CAGR to achieve a \$900,000 portfolio in 20 years. Earning a 10% CAGR is not easy by any stretch of the imagination. However, several stocks have been able to grow at least that fast over the last decade.

So, with the right stocks, discipline, patience, and a long-term investing mindset, it shouldn't be too difficult to achieve these returns in the long run.

It will take several high-quality stocks, so investors have adequate diversification in their portfolios. However, one of the best stocks to consider taking a long-term position in today is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)).

If there were ever one stock to own in your TFSA to shield you from having to pay taxes on the income to the Canada Revenue Agency, it would be Brookfield Asset Management.

I mentioned before how earning a 10% CAGR is not necessarily an easy thing to do. Well, [Brookfield](#) has managed to earn a 17.2% CAGR over the last 10 years. In fact, over the last 20 years, Brookfield investors have seen their investment grow at a 17.7% CAGR.

The massive Canadian investment manager has proven time, and, again, it's one of the best long-term [growth stocks](#) you can own. So, when you buy and hold it for the long term, these are the impressive gains that are possible to achieve.

Foolish takeaway

The TFSA can be an incredible tool to help Canadians minimize their taxes owed to the Canada Revenue Agency. The potential that it gives you will allow you to grow your income in a way that would otherwise increase your tax burden or even push you into a higher bracket.

However, to maximize the potential of your TFSA, you first have to find the best growth stocks that can expand their operations rapidly for years to come.

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TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
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