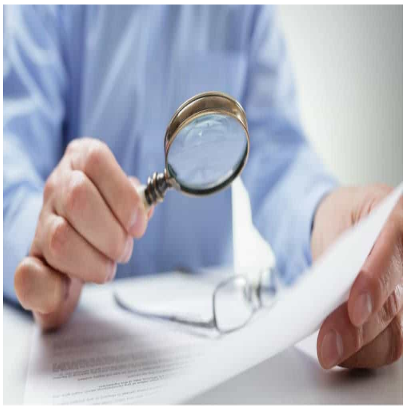

Got Your Notice of Assessment? Pay Attention to This Number!

Description

Canadians across this country are receiving their Notice of Assessment (NOA) from the Canada Revenue Agency (CRA) right about now. In it, the CRA will let you know if you owe any tax return, or if they owe you a refund. But that's not all you should look at your NOA for.

Look further down, and the NOA also offers you another number. That number, subject to change each and every year, is your contribution room for your Registered Retirement Savings Plan (RRSP).

So what?

This is of *major* importance. Your RRSP contribution room is how much you can put into your RRSP each year. And it's not just about penalties, as it could be with the Tax-Free Savings Account (TFSA). No, instead the RRSP contribution room gives you a major benefit if you can afford to max it out.

For every dollar you put towards your RRSP in a year, that same amount can be *taken off* your income reported to the CRA next year. It would therefore bring down however much you earned throughout the year and how much the CRA will tax you on.

The CRA will report your income for the year at less than you actually earned! It's totally legal, very easy, and very lucrative. In fact, it can save you thousands of dollars or even more.

How does that work?

Let's say you earned $120,000 in 2022. Your contribution limit was then, say, around $40,000, and you were able to max that out through savings or whatever. That brings your income taxed by the CRA to $80,000.

This brings you down to an entirely lower tax bracket both federally and based on your province or territory! Federally, the tax bracket for $120,000 is 26% in 2022. At $80,000? It's down to just 20.5%! In Ontario for example, $120,000 is taxed at 11.16%, but $80,000 is at 9.15%.

So, not only have you put aside money towards your retirement future, but you've saved yourself thousands in taxes owed throughout the year by putting that cash aside! So, now what should you do?

Make even more money!

If you're putting that cash aside towards retirement in your RRSP, then you want it to make strong, stable income for the next few decades. For that, I would recommend a solid exchange-traded fund (ETF) that offers high dividends and stable growth.

A great option would be **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC). This ETF has a high dividend (as the name suggests) of 7.2% as of writing. That comes out to $1.20 per share annually for investors. It doesn't climb all that much share wise, but it doesn't dip low either during market downturns. So, you can sleep well at night knowing you aren't losing your investments.

If you were to take that $40,000 and put it towards ZWC, you could bring in and reinvest $2,564 in dividends as of writing!

Bottom line

Not everyone makes $120,000 per year. But this works for anyone in any tax bracket. If you can put even just a few hundred dollars or a few thousand, that could also make all the difference in terms of taxes. Save yourself money and put money aside for retirement.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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alegatewolfe