



## TFSA Investing 101: 3 Must-Know Features

### Description

Canadians who have a valid social insurance number should start thinking about setting aside money for the future. By opening a Tax-Free Savings Account (TFSA), you can create tax-free wealth that can last a lifetime.

TFSA investors who have grown comfortable with the TFSA are using this all-important saving vehicle to achieve their short-term and long-term financial goals. For them, every year is an opportunity to save, invest, and earn tax-free income.

If you know the three fundamental features of the TFSA, you'll be encouraged to follow what TFSA investors do. They purchase [blue-chip stocks](#) that pay high dividends and hold these investments in their TFSA accounts.

### Tax-free withdrawals

By its name alone, the TFSA is tax-free. Whatever amount you contribute and withdraw is non-taxable. However, keep track of the annual contribution limit and the contribution room. The amount you withdraw will be added to your contribution room for the following year.

### Tax benefits

The main advantage of having a TFSA is that it is a tax shelter. Since your TFSA contributions are derived from after-tax income, you don't have to pay tax when you withdraw your funds.

People in higher tax brackets benefit the most when they make withdrawals in their TFSAs. Even in estate matters, a TFSA can be transferred to a surviving spouse tax-free. Likewise, the tax benefit is indefinite.

The TFSA is so flexible that any amount you withdraw is automatically added to your contribution limit for the following year. Hence you can "re-contribute" to your TFSA over and over, provided you don't

exceed the total contribution limit.

## Tax-free growth

Another exciting feature of the TFSA is tax-free growth. The TFSA is your opportunity to save for your future or build your retirement fund. The earnings within your TFSA, whether interest, capital gains, or dividends are tax-free, too.

As mentioned earlier, smart TFSA investors invest in blue-chip stocks that pay high dividends. Among the preferred stocks is Canada's largest telecommunications and media company **BCE** ([TSX:BCE](#))([NYSE:BCE](#)). Canadians are familiar with Bell Wireless, Bell Wireline, and Bell Media.

Together, BCE's three major business segments provide wireless, wireline, internet, and television (TV) services to residential, business, and wholesale customers in Canada.

The \$55.6 billion telecom giant owns and operates approximately 30 conventional TV stations, 33 specialty and pay TV channels, three direct-to-consumer streaming services, 109 licensed radio stations, and 200 websites, plus about 30 apps. BCE is a highly profitable company that pays a high dividend of 5.14%.

A TFSA investor who invested \$10,000 in BCE since the TFSA's inception realized an average annual return of 12.74% today. But since the TFSA investor opted to reinvest the dividends, the return climbed to 14.82%. The total income of \$29,826.80 from the \$10,000 investment is tax-free.

If you have the funds to contribute the maximum limit every year, you'll enjoy more tax-free growth.

## Endless wealth accumulation

There's no stopping a smart TFSA investor from taking advantage of the fundamental features of the TFSA. You too can [accumulate as much tax-free wealth](#) from BCE that offer both capital gains potential and sustained dividend income. The only requirement is to open a TFSA account now.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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